

# permanentrevolution

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## Lebanon: a welcome defeat for Zionism

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The NHS and the market

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**Permanent Revolution 2**

Autumn 2006

A quarterly review of  
revolutionary politics and theory

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## NEW LABOUR IN CRISIS

# Blair's end game – support John McDonnell

➤ “NEW LABOUR politics is looking more like an episode of *The Sopranos* than a political party seeking to represent its members and govern the country.” So wrote John McDonnell on his website [www.john4leader.org.uk](http://www.john4leader.org.uk) at the start of September.

John is chair of the Socialist Campaign Group of MPs and had declared his intention to stand for leadership of the Labour Party before the latest round of Blair-Brown bloodletting. He went on to correctly describe the infighting between the Brownite and Blairite wings of New Labour as “entirely devoid of principles or policies”, amounting to little more than a naked struggle for power and realisation of personal ambition.

Ever since Blair announced before the last election that he would stand down as leader and not go “on and on” à la Thatcher a fight has been brewing inside New Labour as to who the next leader would be, and when Blair should stand down.

At the end of the summer this year the tensions and arguments broke out spectacularly into the public domain. Most importantly the individuals emerging as protagonists in this “collective nervous breakdown” as one Labour MP described it were not the usual suspects – committed supporters from the Brown and Blair camps.

Round Robin letters were circulated and signed by MPs from both camps and from those in neither camp demanding Blair set a date to go. Perhaps most devastating for the Blairites and Blair himself was that the originators and signatories of these letters weren't members of the Campaign Group nor even the left-centre Compass Group but were, in fact, previously the most loyal, “on message” MPs who, in many cases, hadn't voted once against the government on any previous issue.

Chris Bryant MP for Rhonda, for example, had been known up until this moment solely for his faultless sycophancy towards Blair. So what tensions had built up to such a point that this could happen?

Top of the list for the newly disloyal was the fear of losing hundreds of thousands of votes (and thousands of pounds in salary through lost seats

tailing Bush once again, openly opposed a ceasefire in the Lebanon. They may have remained unflappably loyal throughout the Iraq war but this was too much to stomach.

Alongside all this, Brownite loyalists were agitating for their man and seeking to take advantage of the rebellion. They were hopeful that some resignations from junior members of the government could force Blair out much earlier than he wanted to go. They were partly successful in their aim when Blair announced that this year's Labour conference would be his last and that he would step down within the next year. What can we expect in the weeks and months ahead?

## There can be no question whatsoever of supporting Brown against any Blairite candidate. Brown is a Blairite, architect of New Labour

– much more important of course than the thousands of lives lost in Lebanon).

Blair had committed the most unacceptable crime of all in New Labour politics – he had become unpopular. This was beyond the pale and with the polls beginning to show the increasing likelihood of a Cameron-led Tory victory at the next election the situation had reached tipping point.

For this growing group of MPs, variously thought to be a third or even more of Labour MPs, this meant that Blair was no longer “fit for purpose” – after all their careers and salaries were at stake. He should do the decent thing and leave now.

This was nowhere more acutely felt than amongst MPs representing Scottish and Welsh constituencies. They were getting the message that, unless Blair stood down, it was entirely possible they would lose next May's elections for the Welsh Assembly and Scottish Parliament to the Nationalists and Liberal Democrats.

At the same time as these calculations were being made Blair,

Firstly the infighting will continue, but after the events of early autumn will take on a new intensity and character. Gordon Brown will continue to push for an early date for Blair's departure.

This is for two reasons: he knows that the longer the leadership question remains unresolved the more likely it is that another candidate will emerge to stand against him. He will be portrayed as disloyal and unfit to be prime minister – just as Heseltine was portrayed as the wielder of the knife against Thatcher and therefore unfit to inherit the crown. Therefore Brown needs an orderly, but above all quick, transition to being leader.

The other issue for Brown is that he believes the longer Blair hangs on the more difficult it will be for him to win back the ground that Cameron has gained over the last year. Therefore we can expect more attempts from him and his supporters to accelerate the process.

On the other side of the new labour clique the anti Brown Blairites believe that Brown will not win support from “Middle England” and worse





when he becomes leader they will lose their jobs and careers. So there must be another candidate to contest the leadership election. They have in mind either John Reid or more likely Alan Johnson.

Currently it remains overwhelmingly likely that Brown will win any contest when it does happen. It all comes down to the maths – Johnson or Reid would be highly unlikely to gain sufficient votes in the electoral college to win, especially from the unions. Also the next generation of possible leaders – the likes of Milliband – has declared its support for Brown. What attitude should militants in the Labour Party, in the Unions and elsewhere adopt faced with this ongoing battle.

There can be no question whatsoever of supporting Brown against any Blairite candidate. Brown is a Blairite, architect of New Labour. To reaffirm this he has recently declared himself absolutely in favour of ID cards, of extending detention of “terrorist suspects” to ninety days and of course of re-equipping the armed forces with a new generation of nuclear weapons.

In a recent Andrew Marr interview he reminded the public that he was the architect of PFI, the privatisation policies in health and education. And he is of course a stalwart defender, like Blair, of the anti union laws introduced by Margaret Thatcher.

This makes him the ideal candidate for the trade union bureaucracy who have fallen over themselves to support a Brown leadership bid. Of course only the most right wing of them do this openly. Brendan Barber at the TUC conference, while praising Brown for his solid economic performance and his record on employment and public services expansion, did not openly endorse him.

There is a little bit of bargaining to do yet, a few concessions to the unions might be squeezed out in return for support.

Our attitude to these leaders must be to force them to oppose Brown and to organise, with strike action, against the neo liberal and pro imperialist agenda that Brown is sure to implement if he becomes leader. Never on any substantial policy

question, nor on slavish support for Bush, has Brown ever taken up a stance of opposition. Indeed on economic questions Brown has often positioned himself to the right of Blair e.g. on pensions policy.

The campaign for leader that has been launched by John McDonnell gives socialists an opportunity to intervene to prevent this trade union leadership-blessed coronation of Brown taking place. We should support his campaign and actively seek to build it throughout the labour movement and elsewhere in the working class.

The trade union leaders will do everything in their power to keep McDonnell off the ballot paper. They will make every effort to ensure that the undemocratic hurdle of having to get support of 44 Labour MPs is not overcome. The last thing they want is a real contest, where they have to justify before their members why they are supporting a right wing, pro privatisation, anti TU candidate instead of McDonnell.

McDonnell throughout the period of three New Labour administrations has defied the Labour whip more often than virtually any other MP.

## The campaign for leader gives socialists an opportunity to intervene to prevent this trade union leadership-blessed coronation of Brown taking place

In addition he is the convenor of the parliamentary groups sponsored by four of the more militant non affiliated unions – FBU, NUJ, PCS and RMT. He has also stood shoulder to shoulder with the Stop the War movement, most recently calling for industrial action to prevent weapons from the UK reaching the Israeli war machine.

This makes it even more scandalous that Alan Simpson, a leader of the Campaign group of MPs is canvassing support for Michael Meacher, a member of Blair’s cabinet for six years and who supported the Iraq war at the time.

McDonnell’s campaign should be

critically supported and we should call on Labour Party members and trade unionists to join it locally and nationally, both in the affiliated and non affiliated trade unions.

In the campaign we should criticise the limits of the left reformist programme he advocates. This will mean advancing demands and slogans that go beyond his policies and raising ones that seek to confront and defeat the capitalist system itself.

It will also mean building a campaign that doesn’t end when the leadership campaign ends or if he fails to get the votes of 44 Labour MPs required to put his name on the ballot papers. It must carry on with a programme of resistance to cuts, job losses, privatisation and war through direct community action, demonstrations and strikes.

There are socialists involved in the almost still born Campaign for a New Workers Party, particularly the Socialist Party and Workers Power, who say that we should have no involvement in the labour leadership campaign and instead call on unions to disaffiliate from the Labour Party, seeking instead to build a new workers party. In our view this is

futile sectarian gesture politics that will only have the effect of removing militants from an important arena of struggle.

Britain certainly needs a revolutionary workers party but many of the militants who will become part of that, especially in the unions, will not be standing aside to let Brown continue the right wing new Labour policies. They will want to fight to prevent it.

We need to be alongside them in that struggle and to convince them in that fight that even McDonnell’s policies and practice will not deliver on their demands, let alone the Labour Party itself. **AS**



## AUTUMN TRADE UNION CONFERENCES

### Let's empower the rank and file

➤ TWO IMPORTANT trade union conferences take place this autumn which will bring together hundreds if not thousands of rank and file members. One is called by the National Union of Rail, Maritime and Transport (RMT) for October, the other by Respect – the Unity Coalition – for November. The former is aimed at shop stewards, the latter is open to all trade unionists.

The question is: will either of these conferences be anything more than rallies where union members are brought from all over the country to be talked at by “left” leaders – and then sent home again?

The prospects are not good. Neither conference invites resolutions from the grass roots of the union movement, nor do they propose setting up real fighting rank and file organisations that can take forward the struggle against the attacks on pensions, privatisations, low wages, in the TU movement.

Both platforms are so similar one might wonder why the conferences aren't combined – Matt Wrack FBU, Bob Crow RMT, Mark Serwotka PCS are on both platforms. The RMT conference manages a platform of six General Secretaries, one Deputy GS and a couple of National Officers, and then declares in its invite “The depth and breadth of grass roots organisation of workplace reps has always been a barometer of the general health of the TU movement”. Clearly this is a barometer that is not allowed to rise to the top table!

While the RMT conference doesn't give much away about what it is actually about, at least the Respect conference outlines the key issues that will be discussed:

➤ building support for a private members bill, the Trade Union Freedom Bill, which calls for the repeal of some of the most draconian of the anti union laws that Blair has retained;

➤ defending pension rights and fighting privatisation;

➤ discussing the struggle for political representation (code for winning trade unions away from Labour and to Respect).

The convening of the conference by Respect marks a recognition by the dominant component of Respect, the SWP, that it needs to try and draw in some trade union support, something it has signally failed to do up to now. This reflects the impasse Respect has reached as a vote-gathering project.

Respect appears to have peaked in terms of its capacity to attract Muslim voters in sufficient numbers to capture seats on local councils, much

is needed to defeat these laws. A solid support organisation is needed that will encourage workers to take on the law, something their leaders like Woodley of the T&GWU (gracing Bob Crow's platform on 28 October) will always refuse to do.

➤ The struggle against the attack on pensions was defeated for the same reasons, but also because even the “left” leaders like Mark Serwotka of the PCS (gracing both platforms) and the Socialist Party led broad left in the union – Left Unity – capitulated in the face of the government onslaught. How do we build a rank and file movement in the unions that keeps control of the leaders we put in and can remove them when they flunk a fight?

➤ Are rank and file trade unionists, affiliated or not to the Labour Party, to stand aside in the struggle for party leader and let Gordon Brown, architect of the PFI privatisation policy, have a clear run? John McDonnell is speaking at the Respect

**The question is: will either of these conferences be anything more than rallies where union members are talked at by “left” leaders and then sent home again?**

less seats in Parliament. Evidence from around the country suggests that its membership is falling with many fewer delegates expected at this year's Respect conference.

None of this means that these two conferences should be ignored – any opportunity to organise hundreds of militant trade unionists for action needs to be seized. But if anything lasting is to come out of these conferences it will be up to the militant minority from the floor to achieve it.

The key issues that must be addressed are:

➤ The fight against the anti union laws cannot be limited to a campaign for a private members bill that has a snowballs chance in hell of surviving Blair's House of Commons. The defeat at Gate Gourmet showed once again that strong rank and file organisation

TU conference and their website rightly says “His challenge for the leadership of the Labour Party will be a boost for the whole left whether they are in or out of the Labour Party” How do we turn this into a fighting campaign in the unions, a fight against our own trade union leaders who will be moving heaven and earth to ensure trade union sponsored MPs block his candidature by ensuring he does not get 44 sponsoring MPs? They want a smooth coronation for Brown, we want the opposite.

➤ What sort of political representation do workers need? The Respect variety where socialism is dropped in favour of populism and where the party leady George Galloway is accountable to no one? Or the McDonnell variety, of more left reformism and sowing illusions that the LP can be won for socialism?



## National Shop Stewards Conference

CALLED BY RMT

**Saturday 28 October / 11.30am – 3.30pm**

Camden Centre, Bidborough Street, London WC1

## Organising for Fighting Unions

CONFERENCE CALLED BY RESPECT

**Saturday 11 November**

Shoreditch Town Hall, London

No, we need an open discussion of a revolutionary alternative, one that indeed recognises another world is possible, one without capitalism, oppression and exploitation.

Will we get a real debate on these questions? Will trade unionists be allowed even to put forward resolutions that address them? Not if the Respect trade union organising meetings are anything to go by. When Permanent Revolution supporters asked in the London meeting whether trade union branches could move

resolutions, they were greeted by bemused looks and non-committal answers by Respect leaders. It only seems likely that delegates will receive a platform statement for amendment on the day.

If we are to get these issues debated and turn these conferences into something more than talking shops, we are going to have to fight for it against the platforms. Permanent Revolution invites anyone who wants to fight with us at these conferences to get in touch. **SK**

declares "The four provinces of the 'Sunni heartland' account for 85% of all insurgent attacks, whereas the other fourteen, where over half of Iraqis live, account for just 15% ... there is almost no anti-occupation violence in Shiite or Kurdish areas."

No recognition here then of the Shia current, represented by the cleric Al Sadr, who has historically shown solidarity with the Sunni defenders of Fallujah, and whose men engaged in large scale fighting with the occupiers in August 2004.

Sadr stated that the destruction of the Golden Mosque in February was a US provocation, and in its aftermath he ordered his militia to protect both Sunni and Shia religious sites. As recently as 28 August, Sadr's militia killed twenty soldiers of the puppet government in a clash in Diwaniya, near Najaf, a battle which drew in US aircraft and in which a Polish helicopter was damaged.

The truth is that all of Iraq's Shia oppose the occupation, but thus far they have been split on the issue of whether to fight the Americans now or later.

The myth of the sectarian bloodbath plays to two audiences in the US and Britain. On the one hand, it plays to the "divide and rule" brigade, the cynical chauvinists who want Iraqis to expend their energies on one another. On the other hand it plays to the audience who believe there is still a justification for "humanitarian interventions"; those who believe that the presence of imperialist forces is necessary until at some future date the lawless Iraqis are able to govern themselves. The myth of the communal civil war is one that helps to ensure that this tomorrow never seems to come.

The myth is also being used to sideline the Iraqi resistance and the concept of legitimate armed self-defence against an occupier. Armed resistance to the occupation is alive and well, and in terms of activity, greatly overshadows sectarian violence. The latter does of course exist, but is exaggerated in scale by the bourgeois media, or more accurately, fills the vacuum created by their refusal to accurately report resistance activity.

In July, 1,666 explosive devices

### IRAQ

## Sectarian bloodbath or liberation struggle?

➤ "AS IS so often the case in this conflict it's the Iraqi civilian population which suffers the greatest loss of life – either as a result of mistakes by the Americans, or, far more frequently, of course, as a result of the bombs and the bullets of the insurgents."

The words of BBC journalist Nicholas Witchell on the BBC's 6 O'clock News, words which are echoed again and again throughout the bourgeois media machine. The press are busy peddling the myth that the slaughter of thousands of people in Iraq is all down to insurgents who target defenceless civilians – Iraqi against Iraqi. The war is being given a media makeover.

Those responsible for the war and occupation are being transformed into heroic figures caught in an increasingly vicious civil war, one in which Iraqis are determined to kill each other. US and British soldiers, we are told, are having to do a hard and thankless job keeping the sides apart.

But the statistics tell a different story. The Iraqi Health Ministry's figures show that operations by the occupation forces were causing twice as many casualties – most of them civilian – as insurgent attacks ([www.medialens.org](http://www.medialens.org) Burying the insurgency in Iraq).

In order to justify the continued presence of US and British troops in

Iraq mouthpieces of imperialism such as the BBC have busied themselves peddling the idea that Iraq is turning into a sectarian bloodbath. Mike Wooldridge, in an online article of 15 August, "Iraq's Spiralling Sectarian Strife", writes:

"The most visible trend in recent months in Baghdad and certain other cities and towns has been the increasing sectarianism – deadly, tit-for-tat violence perpetrated by certain Shia Muslim groups against Sunnis and certain Sunni groups against Shias ... The sectarian violence has come to overshadow all other kinds."

We are being presented with a picture of uncontrolled sectarianism with Sunni Muslim fighting Shia Muslim. Sectarianism there certainly is, most of it fuelled as deliberate policy by the occupation forces as part of their divide and rule strategy, a strategy employed since the start of the occupation. Now it is beginning to backfire. Shia death squads run out of the Interior Ministry slaughtering supposed Sunni insurgents, and the Sunni's reply in kind. This sectarian violence is a result of the occupation not a justification for it.

Shia forces, who dominate the puppet government, are also being presented as the more reasonable and the least hostile to the occupation forces. Stephen Biddle in the March/April 2006 issue of *Foreign Affairs*



# Briefings / Reports

were detonated across Iraq. According to a spokesman for the military command in Baghdad, 70% of these were directed against American troops, 20% struck Iraqi government forces, and only 10% struck civilians.

It is not just in the "Sunni Heartland" that the resistance is operating. The casualty rate amongst British troops occupying the south is about half as high as the Americans. When the British conduct arrest operations in Maysan's provincial capital Amara, they are subjected to small-arms and anti-tank fire. On 25 August, after it had been subjected to regular mortar fire by Sadr's militia, they abandoned their base there.

A British spokesman stated that the base had been handed over to Iraqi government forces. It was, in fact, levelled almost to the ground by looters. On 6 September the British

went so far as to issue a statement in Amara denying that the militias had forced them out – which of course they had done. (British forces are desperate to abandon similar forward "platoon bases" in Afghanistan but cannot do so without it being recognised as a defeat.)

Deaths amongst coalition forces, whilst considerably fewer than those experienced by the Iraqi resistance, continue at an average of two per day. These losses are fuelling the anti-war movements in the USA and in Britain. These anti-war movements are important in the struggle to get the imperialist forces out of Iraq. However, activists within them must fight not only for peace but for justice, and that means supporting the ongoing fight of the Iraqi resistance in driving the occupiers out of their country. JT

removal of rights to use the already rotten "bosses' court" – the Industrial Relations Commission – to arbitrate over grievances, and your average worker is hemmed in from all sides.

Naturally, these changes have weakened trade unionism in Australia. Trade union density, for example, has slowly declined to a new low of 22.7% of the workforce in 2004.

Under the Howard government, the Australian economy has enjoyed ten years of relative economic stability, born of the Keating/Hawke Labor government's economic reforms of the early 1990s. This government laid the groundwork for the neo-liberal measures that have forced upon the Australian workforce the flexibility needed to allow the development of new service industries and reduce Australian capitalism's historic reliance on the extractive and raw material processing sector.

Globalisation arrived in Australia with a big bang under Howard. Trade barriers have been systematically removed and the Australian economy has finally entered as a fully-fledged player in the global market, no longer hampered by distance, language or an "expensive" workforce.

While Australia will certainly continue to maintain a hefty presence in world resource markets, the days of primary production being the sole bedrock of the national economy are long past. Australian mineral resources have made for excellent, long-term trade deals with emerging economies, such as China, and increasingly with parts of Eastern Europe.

But it is the ever more flexible workforce, especially in the service industries, that is bringing in big international investment. This shift has resulted in significant transformations in the structure of the Australian working class and in the process both segmenting it and introducing greater inequalities.

On an economic level, the gap between the poor and the average wage earner has never been greater; the poor have been systematically stripped of virtually all their rights to welfare and social assistance.

People on disability and single parent benefits are being forced

## AUSTRALIA

# As bosses attack – no more waiting for Labor

IN LATE August, 107 workers from the Mandura railway tunnel project in western Australia appeared in court in Perth for going on strike in February in protest against the sacking of their shop steward, Peter Ballard. The case was adjourned with the next hearing scheduled for 1 November and if found guilty they each face a fine of AUS \$28,000, or imprisonment if they fail to pay.

This is the harsh reality for trade unionists in Australia today. After ten years in power prime minister John Howard has made it nigh impossible to engage in effective trade unionism and solidarity action while staying within the law. Emulating Margaret Thatcher in Britain, his right-wing coalition government has created a climate of insecurity and intimidation.

For example, the daily paper *West Australian* – referring to the Mandura strike in its 9 March editorial – declared: "The time has come to take a baseball bat to the union and its

strike-happy members."

These comments came just weeks before the latest round of anti-union laws came into effect on 27 March. The Workplace Relations Amendment (Work Choices) Bill 2005, passed by parliament late last year (see box) is the latest in a long line of industrial relations "reforms" going back to the last Labor government in the early 1990s.

The cumulative effect is such that workers can expect to be employed on individual contracts or on a casual basis. The workplace contracts, called AWA's, (Australian Workplace Agreements) have a nasty habit of waiving your entitlements to leave, holidays, and shift allowances, among other things.

Along with these AWA's are further restrictions on the rights of workers to union representation in the workplace, as well legislation that has already seen trade union activists and officials fined heavily and even jailed for participating in "illegal" industrial action. Add to this the



into the workforce; access to public healthcare is becoming more restrictive, and the few remaining social services dealing with issues such as re-housing, community services, childcare and other social issues have seen their funding slashed.

While the distance between the poor and the average worker grows, it's become much easier for the average wage-earner to suddenly join the ranks of the poor, particularly if they do not meet the "flexible workforce" standards for education, adaptability and social compliance.

## After ten years in power John Howard has made it nigh impossible to engage in effective trade unionism and solidarity action while staying within the law

These are the workers who are easily replaceable with graduates and youth, and who get little assistance once removed from the workforce.

The new workforce employed in the service industries has emerged out of the ashes of the IT boom of the 1990's, made up of young, highly casualised and skilled workers. Most have no links with the union movement in the way that was prevalent in the once dominant blue-collar industries.

None of this was inevitable. Flexibilisation and deunionisation should have been fought strongly at every step of the way. There were of course battles such as the wharfies' war on dispute in the late 1990s and many other smaller ones. But few of these battles were won and all have been defensive struggles.

But while the result has been greater job insecurity for many and job losses for some, wages for those employed have tended to increase in real terms. This is just as true for those involved in the "new economy" – inundated with IT and university dropouts who are highly educated but not unionised – as for the remaining highly unionised workers, those in the construction, mining or education industries, that have

weathered the storm.

The common element for these groups is that while their working conditions have worsened – particularly with increased casualisation, loss of welfare entitlements, and attacks on union rights – many enjoy higher living standards than they had twenty years ago.

For working families, the house, the three kids, and the two cars are an affordable dream. The younger service industry workers have a standard of living and a level of education their parents could never

have afforded. Rent is easily met, and entertainment, technology and travel are all within reach.

The Howard government has now become synonymous with these improved living conditions and with them the ideals of home ownership, low interest and low tax rates are firmly implanted in the mind set of the middle class and better off sections of workers. So when at the last federal election, the

working class were forced to choose between Howard's implementation of the current wave of IR and social reforms, and low interest rates on their mortgages, much of the working class resignedly voted to protect their houses rather than their unions. The Labor Party after all was not offering much different, whether in terms of economic policy or in response to Howard's shameless playing of the race card on asylum and immigration issues.

The militant vanguard of the working class are not so easily duped. They grasped the import of Howard's ant-union proposals at the last election. They saw that having secured a slim majority in the upper house of parliament (Senate) for the first time, Howard had the real chance to secure major changes to the legal framework of capital/labor relations.

Since the amendments were first tabled last year there have been huge working class mobilisations, at least in the major cities and in particular in the traditionally more militant state of Victoria. These have seen hundreds of thousands of workers on the streets on weekday actions.

The pressure for these protests have come from the more militant unions in the Australian Council of Trade Unions (ACTU) – such as the building workers who have most to lose from the changes – but they have been consistently diverted into either

### WORKPLACE RELATIONS AMENDMENT BILL

## Legislating for the bosses' offensive

THE WORKPLACE Relations Amendment (Work Choices) Bill 2005 was passed by the House of Representatives in November 2005 and passed by Senate on 2 December. The changes came into effect on 27 March 2006. The changes include:

- » The formation of a single national industrial system to replace the separate state and federal systems for constitutional corporations.
- » A reduction in allowable award matters.

- » The exemption of companies with fewer than 101 employees from unfair dismissal laws.
- » The exemption of all companies from unfair dismissal laws where a dismissal is for a "bona fide operational reason".
- » Increased restrictions on allowable industrial action
- » Mandating secret ballots for industrial action.
- » Discouraging pattern bargaining and industry-wide industrial action.

#### LINKS

For more details of Industrial Relations law see: <http://en.wikipedia.org/>



rhetoric-filled rallies or platforms for Labor Party politicians to insist the only way to get rid of the laws is to elect them to government!

The "wait for Labor" argument has been a driving force in the ACTU campaign and has not been helped by the argument even among more militant unionists that industrial action against the laws could and should be delayed until they were actually used. There was a general idea, even among the left, that the implementation of the laws would see a massive wave of anger but with a few isolated exceptions this has not been the case. In fact the laws have been used to lay off whole workforces, fire union delegates and re-hire people on reduced wages and conditions.

The solution to getting the industrial relations laws removed from the statute books remains the same as when they were first presented to the House of Representatives – a general strike. The legislative attack against the whole working class required a class-wide response as soon as the laws were mooted. Three times now the ACTU has called huge numbers of workers out on "stopwork" action – these were the perfect moments to launch such a strike.

With every rally that ends in fine speeches, then sending people back to work, the confidence of the class is weakened. But the Australian working class is far from decisively defeated and a real fight against these laws could reinvigorate and democratise a movement that so desperately needs to put an end to these attacks.

Yet another national protest has been called by the ACTU at the Melbourne Cricket Ground for 30 November – "a great opportunity for working Australians and their families to show their concern about the new IR laws and their effect on people's job security and living standards," according to ACTU secretary Geoff Combet.

A breakfast time rally to show "concern" will not overly worry John Howard or employers such as Leightons who have pressed charges against the 107 workers in western Australia. "Defiance, not compliance"

needs to be the rallying slogan of resistance.

At the very least, a regional work stoppage needs to be organised when the Mandura workers go back to court in November. If they are fined, the whole union movement must stand behind a refusal to pay; if they

are jailed then the ACTU must call a general strike. Likewise 30 November must be the start of a campaign for a general strike to sweep the laws off the statute books and allow effective, militant trade unionism to rebuff the tide of casualisation in the workplace.  
**WP (Aus)**

## EYEWITNESS

# Ethiopian Teachers' Association repressed but resilient

I ATTENDED the opening session of the General Assembly of the Ethiopian Teachers' Association (ETA) on 31 August.

Ethiopia's government is headed by Meles Zenawi one of Blair's handpicked Commissioners for Africa who spouts about the need for democracy, development and poverty reduction whilst giving orders to imprison, torture and murder political activists and trade unionists.

The meeting of some 200 delegates started with General Secretary Gemoraw Kassa speaking on the union's work in combating HIV-AIDS, campaigning for education for all and for curriculum changes. He gave a graphic update on the repression the union has faced, with its meetings broken up and members arrested.

Last year the union's bank account was frozen and its offices raided with all computers and files stolen, including a list of all members. At least forty teachers that the union knows about were imprisoned. Kassa ended with an appeal for international solidarity.

Rewayne Mbaye from the International Labour Organisation (ILO) gave a long and detailed speech about various ILO conventions, in particular 87 and 98, which guarantee freedom of association and collective bargaining.

He seemed at times to suggest that if the teachers simply learned these laws inside out and quoted them at the right times they could avoid

repression! However, events were soon to rebut this interpretation.

The meeting became more animated after members from the floor gave accounts of repression in local areas, meetings physically prevented, activists sacked or jailed; they asked how the ETA could function in these conditions?

At lunchtime, as if in dramatic confirmation of delegates' concerns, armed police and soldiers surrounded the building, refused to allow delegates into the afternoon session and started to disperse the crowd.

After capturing some of this on film I left the meeting with some teachers in a minibus belonging to the union. However, about an hour later the minibus was forced to a halt by three unmarked cars and three men entered the bus by force and grabbed my bag. In the ensuing struggle they identified themselves as "police" and flashed a non-descript ID card before pinning me down and forcibly taking my bag with the camera and various documents.

The next day the ETA office was raided again with other equipment seized, including the minibus. Several ETA members and staff, including the minibus driver, were arrested too, adding yet more to the list of political prisoners, including the current chairperson of the Addis Ababa branch of the ETA, Kassahun Kebede.

The ETA is being targeted for a very simple reason: it is the last independent trade union in a long



## ANTI-GLOBALISATION

# Shut down the G8 in 2007

THE HEADS of the governments of the G8 – the eight richest and most militarily powerful states on the planet – will meet from 6-8 June next year at the Kempinski Grand Hotel in Heiligendamm, Germany (population 270!).

Originally the G6 (USA, UK, France, Italy, Germany and Japan with Canada joining in 1976 and Russia in 1997) they have met annually since 1975 to discuss how to carve up the world.

But they do not meet unopposed, especially since the infamous Genoa summit of 2001. And 2007 will be no different; hundreds of thousands of the G8's own citizens will gather to protest – and to act – against a meeting where a few leaders take decisions which impact on billions of people.

After Genoa, the summit was held in out of the way places to avoid "disorder": in the Canadian Rockies in 2002, and then in the Alps in the following year. But at Heiligendamm,

the imperialists will be within 100 miles of cities in which over six million people live: Hamburg, Berlin, and Copenhagen. It looks like this could be a big one

Already in March this year, a diverse gathering of 300 people in the nearest big town of Rostock agreed the following points after a two day action conference.

- » There should be a large demonstration, of at least 100,000 people.
- » There should be an international mobilisation, and camps will be prepared.
- » A countersummit should discuss and lay out the alternatives to capitalist globalisation.
- » There should be a large cultural event organised in close consultation with the political movements.
- » The mobilisation distances itself clearly from far right groups propagating racism under the guise of criticism of globalisation.
- » There will be a day of action for

refugees and migrants.

» There should be abundant blockades which will tangibly hinder the logistics of the summit itself.

Preparations have continued and for ten days in August the village of Steinhagen played host to "Camp Inski", where over a thousand activists from at least fourteen countries gathered to lay their plans. These include the organisation of a camp site for 15,000 international visitors. From 10-12 November, there will be a further international action conference at the University of Rostock.

Its time for the left in Britain to dust off our networks from the 2005 Gleneagles mobilisation and get ready for Germany.

### CONTACT

If you are interested in attending the Rostock II conference contact Permanent Revolution via: [g8manc@yahoo.co.uk](mailto:g8manc@yahoo.co.uk). See our website for more info

bitter struggle with a government determined to smash workers' organisation.

In the early 1990s, after the fall of the dictatorship, there was a revival of trade union militancy leading to the formation of the Confederation of Ethiopian Trade Unions. However, one by one these unions were purged by the government which arrested activists, froze bank accounts, disrupted meetings and seized equipment and offices for new "normalised" – i.e. pro-government unions. The government tried this approach with the ETA too, setting up its own tame rival organisation of the same name. However, despite ETA's Deputy General Secretary Asefa Maru being murdered in the street and its President Dr Taye languishing in prison for six years the union has continued to function.

Last year, following an attempt to fraudulently steal the elections in the capital, a general strike in Addis Ababa and mass struggles around

the country sharpened tensions and increased repression for ETA's 100,000 or so members.

There was a mass demonstration well over a million strong in the capital. Unrest gripped the country, with strike waves hitting universities and high schools. Hundreds of

must offer material and financial solidarity and support. We need to build a campaign for prisoners' release, with demonstrations outside embassies and against the actions of our own government, which is effectively sponsoring a dictatorship. We must start this campaign in the

**The ETA is being targeted because it is the last independent trade union in a bitter struggle with a government determined to smash workers' organisation**

students and other protestors were beaten and murdered, with over 40,000 people arrested and rounded up in makeshift camps, often in football grounds. Many activists are still in jail or missing presumed dead

Under these conditions the international workers' movement

British NUT by continuing to build links with the ETA and campaigning against its repression.

**Jason Travis / Bolton NUT President in a personal capacity**

### LINKS

[www.permanentrevolution.net/?view=entry&entry=698](http://www.permanentrevolution.net/?view=entry&entry=698)



## MEXICO

# Obrador demobilises electoral struggle

MEXICO IS living through its most serious political crisis since the days of 1994 when the Zapatista indigenous army rose up and the country was hit by economic crisis.

Millions of people have mobilised, mainly in the capital, Mexico City, but also around the country, against the fraud in the presidential elections that took place in July.

The results of the presidential election back in June are hotly contested. Felipe Calderón, candidate of the National Action Party (PAN), won the election by only hundreds of thousands of votes out of 41.6 million cast. Supporters of the main leftist party, the Revolutionary Democratic Party (PRD), claim that the election was fraudulent. They have been demanding that the votes be recounted and the elections be investigated for irregularities.

The national electoral commission refused to do this and only allowed for a partial recount. When the commission looked at 9% of the vote it found that 230,000 votes had to be disqualified. If this were repeated for the whole electorate it would demonstrate that Calderón did not win a majority.

But instead of allowing a recount, the commission unanimously agreed that there were insufficient grounds to say the elections were fraudulent and declared Calderón president-elect. Calderón is set to take office on 1 December for a six year term.

The PRD's candidate, Andrés Manuel López Obrador, has refused to accept this. "I do not recognize someone who tries to act as the chief federal executive without having a legitimate and democratic representation," he told supporters.

At the same time there is an ongoing, bitterly fought series of strikes in the state of Oaxaca led by the teachers union. After a vicious police attack on the strikers was

repulsed in the middle of June, with the support of other workers and students, the strike has taken on a political dimension. Workers and students have virtually taken over the capital city, Oaxaca, occupying the official buildings and forcing elected state officials to meet in hotels.

A Popular People's Assembly of Oaxaca has been formed and there is a situation of local dual power – that is an "official" state government and the alternative civic power recognised by the population. On 1 September 300,000 marched through the city demanding the Governor's

As long as the movement is limited to pressurising the regime to call another election and kept within the bounds of legal peaceful protest it will fail. The burning need is to mobilise national general strikes and create a hundred Oaxaca's across the country.

There has been a long history of electoral fraud in Mexico and the last time the election result was challenged by a democratic movement, in 1988, the PRD ultimately preferred to accept the result rather than risk a revolution.

At first sight it is difficult to see why the ruling class is so determined to keep Obrador and the PRD out of government. The party, and its leaders, are part of the system. It channels all protest through parliamentary means.

Obrador has said that he will not dramatically alter the neoliberal policies that Mexican governments have carried through since the 1980s.

**As long as the movement is limited to pressurising the regime to call another election and kept within the bounds of legal peaceful protest it will fail**

resignation

Meanwhile the national political crisis continues. Mass demonstrations have been held in the Mexico City's main square, the Zócalo, and the city was home for weeks to a tent city set up to organise the movement.

In Congress, PRD deputies disrupted the final "state of the nation" speech of the outgoing president Vicente Fox. The movement has not gone away since the decision by the court to rule Calderón president.

A national convention was held in mid-September to decide where the movement should go next. The danger is that despite all of Obrador's rhetoric about refusing to recognise the legitimacy of Calderón as president and setting up an alternative government and "new Republic", the convention is designed to maintain his control of the movement.

He has even received favourable coverage from the some sections of the Press in the United States.

In this sense Obrador can be seen as a 'safe pair of hands' for both the Mexican ruling class and the US government. But the problem for them is Obrador's supporters – the urban and rural poor. Under their pressure he has felt obliged to respond to their demands and has spoken out in an increasingly populist way. His campaign slogan was, "For the Good of Everyone, the Poor First." He has made promises of social reform such as using subsidies and wage increases to boost the spending power of the poor by 20%. He has also pledged new schools, roads, hospitals and oil refineries and talked about ensuring everyone has access to electricity and clean water. Obrador has said that he would introduce health subsidies for the poor and state pensions for the elderly and create jobs for the young.



For the ruling class in Mexico this is the danger – that should he become president his supporters would expect him to deliver on these promises. And it is especially dangerous for the Mexican and US ruling classes in the current situation of Latin America where Venezuela's Chávez and Bolivia's Morales have been elected President's to carry out social reforms in countries where the masses are mobilised and demanding radical action.

The movement needs to go forward. To do this the mass of the demonstrators must take control of it and take it out of the hands of Obrador and the politicians of the PRD. The National Democratic Convention on 16 September agreed to act as a "shadow administration" for six years and Oberon has demobilised the tent city.

This is backward step. This NDC will not contest power with the Calderon government but merely act as a long-term pre-election campaign. Meanwhile the focus of mass pressure on Oberon has been sent packing.

The NDC must call for the organising of a revolutionary constituent assembly and the destruction of the current regime. This body must decide how Mexico is governed but it will need to be organised by workers and popular assemblies.

The self-organisation of the workers, peasants and urban poor as seen in Oaxaca must be repeated the length and breadth of the country. As events in Oaxaca have shown, two protestors have already been killed. The ruling class are prepared to use violence to crush any such manifestations of real democracy so the movement will have to prepare

self-defence organisations to protect itself.

As well as tackling the question of democracy, a constituent assembly must address the questions of rural and urban poverty in Mexico. This will require a transformation of Mexican society and the expropriation of the wealth and power from the hands of a few.

A workers' and popular

government is the instrument that can do this. There can be no solution to Mexico's problems of poverty and lack of social provision as long as the country's system remains capitalist.

The solution must be a socialist one – where the economy is run not for the benefit of a tiny minority but planned to benefit and improve the lives of the overwhelming majority of the population. **DE**

#### **DERRY ANTI-WAR MOVEMENT**

## **Protestors target Raytheon over military sales to Israel**

ON WEDNESDAY 9 August anti-war protesters in Derry broke into the local plant of US missile manufacturer Raytheon, one of the largest arms companies in the world and supplier of guidance equipment for many of the missiles used recently by Israel in their invasion of the Lebanon.

After eight hours of occupation, armed robocop riot police stormed the building and nine protesters were arrested and charged under terrorism laws. Almost all were battered and bruised in the process. Three of the arrested are members of the Socialist Workers' Party, including leading member Eamon McCann; one is a member of the Socialist Environmental Alliance while the five others are Republicans from the IRSP and the 32-Country Sovereignty Committee.

Raytheon was welcomed to Derry in 1999 by SDLP and Ulster Unionist leaders John Hume and David Trimble at their first joint public appearance, after receiving the Nobel Peace Prize. It was part, they said, of "the peace dividend"! But they weren't alone; all the local mainstream parties – the SDLP, Sinn Féin and the DUP – have backed the company's presence, arguing that the Derry plant isn't directly involved in arms manufacture and that driving Raytheon out would deter other investors in an area of high unemployment.

The idea for the occupation emerged from a packed meeting of the Derry Anti-War Coalition on 2 August, addressed by former Abu Ghraib interrogator Joshua Casteel of Iraqi Veterans Against War and Hani Lazim of Iraqi Democrats against the Occupation.

Discussion from the floor focused on Raytheon, the role it gave Derry in the arms trade and outrage at the idea that software developed in Derry was helping to murder people in Lebanon and Gaza.

Once inside the plant, the protestors erected barricades against the police and set about decommissioning the equipment. Documents and computers were hurled from windows and the computer mainframe and other

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# Briefings / Reports

equipment put out of action. Many of the defenestrated files gave the lie to the claims that the Derry plant had no connection with the arms trade.

Local radio reported the occupation and soon supporters arrived to join the protest. In the course of the day, up to one hundred people kept the solidarity picket going. Cars on the main road honked their horns in support. Supporters brought coffee and sandwiches.

The Raytheon nine are being charged with scheduled offences and their case may be heard by non-jury Diplock courts. The bail conditions placed on the nine anti-war protestors who occupied the Raytheon factory in Derry are draconian and a serious infringement of the right to free speech and to peacefully protest.

Conditions include a half-mile exclusion zone around Raytheon, and also ban protestors from attending any public or any private meeting of Derry

Anti-War Coalition or the Irish Anti-War Movement.

"Private meeting" means any meeting of three or more people. If this is allowed to stand it could set a dangerous precedent for similarly severe restrictions being imposed in the future. The next Court hearing is set for 12 October.

Sinn Féin has not supported the direct action/occupation. Maeve McLaughlin, writing in *An Phoblacht* on 17 August, said while she supported the motivation behind the protest she felt "the decision to destroy equipment took the focus away from the purpose of the protest ... I would also appeal for people to maintain pressure on the Israelis and their allies through peaceful and dignified protest."

Disgracefully, The Socialist Party share the same position as Sinn Féin. "From a tactical point of view" they explain, in their 18 August website post, "the actions of the protestors in smashing computer equipment were ... inadvisable. A few thousand pounds worth of computers is nothing to a

company that earns its profits in the billion dollar global arms market. The destruction of the computers is now being used by the State to justify the harsh treatment of the protestors and the restrictions on the right to protest represented by the bail conditions".

No form of protest is ruled out by socialists, let alone non-violent direct action/civil disobedience. If the only form of protest is that which is acceptable to the state, there would never be any point in protesting at all. The state will always find excuses to attack our democratic rights. We stand fully behind and support the actions of the Raytheon nine and call on all socialists and republicans to join the nationwide campaign for their unconditional release. We oppose the punitive ban and support any of the Raytheon nine who defy it. The imperialist warmongers must know - we will not peacefully accept their right to bomb and destroy the world.

► Repeal all repressive legislation in Northern Ireland now!

## PERMANENT REVOLUTION

### Supporters of Permanent Revolution get organised

► SINCE OUR expulsion from Workers Power and the League for the Fifth International (LFI) in early July the comrades grouped around this journal have been busy taking stock and getting organised.

We had the first part of our founding conference in late July and welcomed comrades from Australia, Ireland, Sweden and observers from Chile, Argentina and the Czech Republic. The second part of our conference takes place in Manchester after the Stop the War demo where we will be joined by observers from Austria, Germany and Chile.

Our first journal, *Permanent Revolution 1*, rushed out in the week of our expulsion, sold over 400 copies in Britain and Ireland. We have established a well visited website where this and other material can be downloaded - take a look:

[www.permanentrevolution.net](http://www.permanentrevolution.net)

We intend to develop this site as a means of reaching out

internationally and allowing visitors to comment on postings and participate in debate.

In London we have had a number of discussions with a member of Proletarian Revolution from Chile who has contributed to this journal on the student struggle in Chile. Supporters of *Permanent Revolution* have visited Austria, to have discussions with the GRA (Revolutionary Workers Group) and New Course.

We are taking steps to initiate an international framework of discussion, initially with organisations and individuals who were formerly part of the LFI/LRCI, but with the aim of expanding this discussion framework and building an international Trotskyist tendency.

*Permanent Revolution* supporters also visited Germany and had discussion with iRevo there. Many of the independent youth members of Revolution have revolted against

the suspension of the Revo group in Australia in the summer and the increasingly bureaucratic control exercised over World Revo by the LFI. Independent Revolution (iRevo) now has supporters in Germany, the Czech Republic and Austria. Their website is at: [www.irevo.int.tc](http://www.irevo.int.tc)

In Britain comrades are taking up the issue of the repression of Ethiopian teachers in the NUT, organising to intervene in the autumn rank and file trade union conferences, fighting within the McDonnell for Leadership Campaign and are active in the mobilisation for the G8 protests in Rostock in Germany and the Stop the War movement in Britain.

Supporters of this journal hold regular open meetings to discuss the campaigns and issues raised in it. If you are interested in coming along to them send us an email to: [prtendency@btinternet.com](mailto:prtendency@btinternet.com) or contact us through our website.



## Five years on from 9/11

THIS ISSUE of Permanent Revolution focuses on key developments in the international class struggle. Everywhere around us international war is being waged relentlessly.

The Israeli invasion of the Lebanon, the fighting in Afghanistan, the ongoing quagmire that is Iraq; proof, if any were needed, of imperialism's determination to impose its will on its subject nations. But it also shows that those under attack from imperialism will fight back.

Five years on from 9/11 there is no let up in Bush's war on terror; a hypocritical phrase summing up – and covering up – the USA's aggressive, imperialist foreign policy, a policy agreed in advance of the attack on New York's Twin Towers. That attack gave Bush the pretext to use pre-emptive military force and remove any regime that threatened the USA's control over oil supplies.

After 9/11 Bush and his neo-cons repeatedly insisted that the USA was the only superpower willing and able to deal with "rogue states" – Washington doublespeak for any state that dares to threaten the White House's global objectives.

Afghanistan was first in the firing line, followed by the strategically vital Iraq. Iraq was quickly followed by Iran and Syria. Once these were humbled Washington expected the Palestinians to fall into line and be grateful for the scraps of territory thrown to them by Israel. US-style democracy – corruption, a compliant media, privatisation – was to be imposed throughout the region, underpinned by numerous military bases.

This was a unilateralist policy; Europe, Japan and Russia could sign up or shut up. And this policy extended far beyond the Middle East. The neo-cons planned to cut Russia down to size, and bring its former territories, Georgia, Ukraine, Azerbaijan and the Central Asian republics swiftly into the NATO fold. This was to be the second "American century".

Five years on this neo-conservative dream is turning into a nightmare.

With 140,000 troops tied down in Iraq the insurgency shows no signs of abating. US casualties can only be kept down by giving up territory and control to the insurgents. Baghdad is to be ringed with trenches to ward off attacks, more than three years after the capital was "liberated". The Iraqi government and its army barely survives, courtesy of US troops – and increasingly by running organised death squads to terrorise the Sunni minority. The country threatens to split into three segments and surrounding powers are already eyeing up the potential spoils.

And in Afghanistan, where the war on terror started and where "victory" was claimed years ago – but where all the imperialist troops put together could not capture Osama bin Laden or Mullah Omar, Taliban leader – NATO is being fought to a standstill. A force in the south, which was sent in to win hearts and minds, has been greeted with rockets and bullets. President Karzai's writ scarcely extends beyond Kabul.

Meanwhile the imperialists are falling out amongst themselves, denouncing the shirkers in NATO, Germany, Turkey and Italy, for not throwing reinforcements into the fray.

### Bush the failing President

Is it any wonder that George Bush's approval ratings are worse than President Nixon's were thirty years ago at the height of the Watergate scandal? His closest ally, Tony Blair, has fared no better. Blair is so unpopular that he is being bundled out of Downing Street by his own New Labour allies desperate to save their skins at the next election.

In Washington the neo-conservative star is on the wane. The USA has been forced to turn again to the imperialist allies it once disdained. The collective arm of this band of world thieves, the United Nations, is no longer scoffed at by the neo-cons; its help is being sought. Nowhere is this clearer than in the aftermath of the Lebanese war. As we point out in this issue, the 33-day onslaught showed both the continuing aggression of the US administration (this time working through its proxy military power, Israel) and its weakness.

A small but determined guerrilla movement fought the world's fifth most powerful army to a standstill. The failure to crush Hezbollah has increased its support and weakened Israel. Washington and London, who had fought against a ceasefire to give Israel time to "finish the job", had to do a U-turn. They had to turn to the UN – and France and Italy – to try and disarm Hezbollah and bolster the shattered Lebanese government, a product of the "Cedar Revolution".

### Working class recovery

It is not only in the Middle East that the neo-liberal offensive has been blunted.

The 1980s and 1990s were terrible decades for the world working class – the triumph of Thatcher in Britain and Reagan in the USA ushered in a period of severe attacks on the organisations, jobs and living standards of the working class. With the collapse of the Soviet Union in the late 1980s and the triumph of a vicious neo-liberal regime under Yeltsin, the Russian and Eastern European, workers were ravaged by unemployment and poverty.

The Latin American economies were crushed under a mountain of debt with the workers and peasants paying the price. Even Japanese workers saw their more privileged position eroded by a decade of economic stagnation and job insecurity.

The later 1990s, and especially the current decade, have seen a change from these gloomy times. Workers have taken to the streets in their millions protesting against neo-liberalism, unemployment and war. The growth of the mass anti-



capitalist movement after Seattle, its willingness to besiege the G8 leaders around the world, was one element in this; the overthrow of dictatorships in Indonesia, East Timor and Nepal another.

While the recovery in struggle and organisation has been uneven – Britain, Japan and the USA are not Bolivia or Venezuela, nor even Greece and France – the trend is upward.

In Latin America the continent is in revolt against the consequences of neo-liberalism – the sale or giveaway of the continent's assets to US and European multinationals in the 1990s. From the Argentinian crisis at the turn of the century through the Ecuadorian, Venezuelan and, most recently, Bolivian struggles, reactionary presidents have been toppled. Masses took to the streets, braving army and police repression, creating pre-revolutionary and even revolutionary crises.

Neo-liberalism has suffered a series of defeats and the workers and peasants are on the offensive. The decisive question in the next period is, can the workers consolidate these gains? Will they recognise the need to push further and overthrow capitalism not just presidents, to dismantle the capitalist state, not just remove the head of state?

Or will the movements' populist and reformist leaderships pacify and demoralise the working class by their hesitancy and fear of revolution, so allowing domestic reaction and imperialism to go on the offensive once again?

## Europe

Europe too has witnessed major class struggles: Greece over the last decade or more; the Italian workers versus Berlusconi; and, perhaps most importantly because it lies at the heart of the European Union's neo-liberal reform strategy, the French workers. All have struck and marched against their governments. As a result, the EU's attempt to drive through its neo-liberal agenda – set out in Lisbon in 2000 – has suffered serious setbacks.

The defeat in the 2005 French referendum of the centralising, neo-liberal constitution, led to it being shelved. Plans to liberalise agriculture, the WTO Doha round, fell before protectionist agricultural interests on both sides of the Atlantic. The EU Bolkestein Directive on liberalising services was heavily watered down to get the proposals through the European parliament. Most importantly, the French students and young workers defeated the government on the streets this year over its attempt to reduce security of employment for the under 26 year olds.

In Germany, long a pillar of stability, social partnership and low levels of trade union struggle, opposition to German Social Democracy's attempt to introduce elements of the Lisbon agenda – Agenda 2010 – led to a split in the party and the formation of the new Left Party, which won 54 seats in Parliament last year.

The working class is still in a period of recovery, of transition from the period of defeats. It has not yet moved onto a generalised offensive. As we explained in the minority perspectives we fought for in our former organisation, the League for Fifth international (LFI):

"This transition period has been marked by unevenness – the British working class has yet to recover from the defeats of Thatcherism in the 1980s. Japan has been quiescent, as has

Russia and much of Eastern Europe and Scandinavia. The US working class has not recovered from the defeats of the 1980s and its labour movement still loses most defensive battles forced upon it. Resistance to imperialism and neo-liberalism has come primarily from the anti-war movement and the struggle for migrant rights rather than from organised workers. In South Africa and Brazil the working class has been tied to neo liberal reformist popular fronts with limited struggles being led by the landless and shanty-town dwellers." ([www.permanentrevolution.net/?view=entry&entry=307](http://www.permanentrevolution.net/?view=entry&entry=307))

## It's the economy, stupid

To use a phrase coined during the Clinton era, "it's the economy stupid". One reason the working class has been able to regain some confidence and resist attacks on its conditions and wages, and even improve them in many countries, is because of an expanding world economy.

Global Gross Domestic Product (GDP) has doubled in the last ten years. The combined growth in the world capitalist economy over the three years 2003-05 has been the biggest for thirty years. GDP growth in 2004 was the highest in more than a decade. That same year South America experienced its highest growth for nearly twenty years.

Of course, neo-liberal globalisation also increases inequality – the expanded profits are not handed over on a plate to the workers. They have to fight hard to get a bigger share of the pie. But the rapid industrialisation of countries like China and India has raised millions of peasants out of poverty (300 million in China, 1% of India's poor every year). Wages in the new industries in China have increased, even while the social wage in old state industries has declined. In countries like Britain real wages for the majority of workers have increased every year for more than a decade as the economy and employment has grown – while unorganised and migrant workers continue to struggle on low and poverty wages.

Good times for the capitalists also mean less need to take political risks in launching onslaughts on the workers' movements. Such was the desperate state of British capitalism in the late 1970s that the ruling class was willing to back Thatcher to take on and smash one of the most militant and well organised workers' movements in Europe. It was a high-risk strategy given the militant workers, led by the miners, had broken and defeated governments that tried it in the previous decade. Today the European capitalists do not need to take such risks – yet.

The European ruling classes are able to retreat in the face of a determined working class, knowing they can return some time in the future. Weaker economies, like Italy and Greece, are under more pressure to demand "givebacks" and deregulation from their workers, but even they have, for the moment, the cushion of Brussels' handouts, domestic economic growth and expanding tax revenues. It is not an immediate question of "Americanise or Bust" for the European ruling classes.

Much of the left has closed its eyes to the expansion of the world economy and little thought has gone into explaining the roots of this development. Business cyclical downturns are pored over as evidence of the ongoing crisis and instability of capitalism. But an uncomfortable silence descends



when it comes to explaining the recent absence of the deep and synchronised world recessions that we had in the 1970s and 1980s.

This journal does not intend to close its eyes to reality, however uncomfortable it may be for the schemas of the left. In two articles in this issue, one on the world economy and one on China, we begin to explore the reasons for capitalist growth. We put forward the view that the collapse of the Stalinist states (USSR, Eastern Europe) and the ability of imperialism in the era of globalisation to incorporate these economies into its system of exploitation, allowed world capitalism to offset the structural crisis of accumulation. We will develop this analysis further in future issues and we welcome responses from our readers – be they critical or in agreement.

### **Rising powers, new tensions**

The new millennium, dominated by globalisation, has many similarities with the period of the 1890s-1913: capitalist expansion, rising imperialist powers, massive movements of labour (migration).

China has grown about 10% a year for more than 25 years and is now the fourth largest economy in the world. Its GDP has doubled in the last ten years. India's economy has grown at 6% a year between 1980 and 2002 and at 7.5% a year over the last four years. Last year the global south as a whole accounted for more than half of new world growth. On one measure they now account for more than half of global GDP for the first time.

Russia under Putin, on the back of buoyant gas and oil prices, has overcome its economic crisis, emerged from its period of contraction and has started repaying its foreign debt ahead of time as well as setting aside a \$50 billion domestic stabilisation fund. Russia is no longer willing to be the playground punch-bag in the G8. US commentators are bemoaning the fact that Russia is re-asserting its role as a regional power – with the Ukraine moving back into its orbit as the most recent example.

Of these three powers it is China which threatens to shake up the world imperialist system. Like the Germany that burst onto the world scene in the 1880s demanding a political position commensurate with its economic power, China will demand the same in time. This burgeoning power is already beginning to extend its economic and political influence around the world – especially in Latin America and Africa.

Today China does not possess one aircraft carrier and Washington's annual defence budget increase is more than the total Chinese military spending. But the US imperialists know very well the potential threat China poses to their global dominance in the next decade or two. While they continue to rely on the country's massive cheap labour resources for their super profits, they are already taking military and economic steps to keep China in a sealed box.

It is no accident that Defence Secretary Rumsfeld was recently in Vietnam mending fences and that India (unlike Iran) was rewarded for actually breaking the nuclear non-proliferation treaty with a new "strategic partnership" deal. These countries, along with Taiwan and Japan, are the allies designed to keep their giant Chinese neighbour in check.

These countries need to be firmly wedded to the USA if they are to be able to do this.

As for China, it is determined to re-integrate Taiwan with the mainland, one potential flashpoint for the future. It will also push for control of vital mineral and energy sources in Africa, Latin America and the Middle East to keep the industries at the heart of its economy beating. The real threat of imperialist clashes in the decades ahead comes not from Europe versus America but from China versus America.

It would be wrong, as many ill-educated but highly paid bourgeois commentators do, just to look at China's astounding growth rates and project them uninterrupted into the future. This was regularly done with Japan in the 1980s. If

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## **Neo-liberalism has suffered a series of defeats and the workers and peasants are on the offensive. The decisive question in the next period is, can the workers consolidate these gains?**

the predictions had come true it would have overtaken the USA by now as the world's economic giant. It didn't.

China is a capitalist dictatorship. The misnamed Chinese Communist Party (CCP) rules over the workers with an iron fist, under capitalism just as it did when China was a degenerate workers' state. Yet China is producing a mighty proletariat, a working class hundreds of millions strong. With that growth will come organisation, maturing class-consciousness and militancy. The working class will not allow this dictatorship to continue its brutal rule. Revolutionary storms are inevitable.

Whether such a struggle will stall China's growth and even lead to national disintegration is uncertain. Rulers in South Korea, Taiwan and Thailand rode the storms to "manage" their transition from bourgeois dictatorship to forms of parliamentary democracy. These involved mass struggles but they were contained and in the longer term had little impact on those countries' forward economic development.

Revolutionaries around the world will hope for a very different outcome; a democratic revolution that grows into the struggle for socialism – a revolution that is made permanent. And for that to happen it is crucial that a communist party that really has the right to such a name, a revolutionary internationalist party, is built. In turn efforts by revolutionaries outside China to build a revolutionary International, can help build such a party in China.

### **The role of Permanent Revolution**

That is the purpose of this journal – to contribute to building such an international, a revolutionary, Trotskyist International. We are not here to develop interesting analyses and stimulating political perspectives to satisfy the intellectual curiosity of left wing academics. We publish for practical purposes. There is a real need, at every level of the world's workers' movement, for a revolutionary re-arming after the



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closing decades of defeat at the end of the last century. We will strive to make this journal one weapon in that process. Its theory will be revolutionary and will serve the building of a revolutionary movement.

We hope *Permanent Revolution* will provoke real dialogue in the workers' movement and we intend to open its pages to debate. So if you want to contribute – a letter, a comment, a review, an article – contact us. We hope our articles will not appear dogmatic or arrogant.

Of course we do think our politics and perspectives are essentially correct. After all if we did not we would not have gone to the bother of forming a new organisation and bringing out a new journal. We would have joined a different group with whom we agreed.

But we will strive to argue our point in a way that is constructive and fraternal, not arrogant and impervious to criticism. We do not believe we have all the answers to all the questions. Nor have we formed ourselves as a sealed sect, set against discussion.

We opposed that approach by the LFI while we were in the organisation. As a result they now brand us as "party defeatist". What they really disagreed with was our argument that

it was necessary to build a party not only by carrying out our own activities but also by debating with the forces of the left. The aim of such debates was to achieve a re-alignment of those forces and, where possible, fuse with others on a principled revolutionary basis. We opposed the belief that such forces did not exist and that the task was simply to rally everyone around the lectern of the LFI.

Our commitment to this new approach, aimed at revolutionary regroupment – including splits and fusions – is not just a comforting statement of intent. It is real and is demonstrated by the fact that we have already started to carry it out at an international level. At the same time our comrades will work in the class struggle with the goal of persuading militants to join our ranks and strengthen our existing organisation.

No doubt we will make mistakes, but we hope we will have the courage to say when we are wrong, and to accept valid criticism. Our view is that fraternal debate can enrich our understanding, inform our practice and help creatively develop Marxism in the twenty-first century.

**The Editors**



# A welcome defeat for Zionism

*Despite the backing of the United States and Britain, Israel's summer war to crush Hezbollah in Lebanon failed. The Islamic guerrilla movement emerged militarily intact and politically strengthened. As the United Nations moves in*

*G R McColl assesses Israeli and imperialist war aims and the nature of Hezbollah*

ON 12 July the Israeli Air Force (IAF) began to unleash its own version of "shock and awe", a sea and air bombardment of unprecedented ferocity against a range of civilian and military targets across Lebanon.

A ground invasion of the south of the country, aimed at wiping out Hezbollah, proceeded at a snail's pace before eventually moving approximately 20 kilometres into Lebanese territory towards the Litani river.

Over the course of the following month, the IAF dropped substantially more tonnage in bombs than it had during the Ariel Sharon-led 1982 invasion of Lebanon. In its wake the Israeli offensive left more than 1,500 civilians dead, displaced close to one million people, nearly a quarter of the country's total population - and left some 7,000 families homeless. For now, at least, the bombing has stopped and the Israeli tanks are no longer rolling.

But the offensive has left a deadly legacy of cluster bombs littering the landscape of south Lebanon, 80% dropped in the last days of the war as the ceasefire was about to be implemented.

Yet despite the carnage and havoc it wrought, the mighty Israeli military machine singularly failed after 33 days to secure its two stated objectives, namely the unconditional release of two kidnapped soldiers and the permanent disabling of the Hezbollah militias concentrated in the predominantly Shiite, rural south. For the second time in less than a decade the supposedly invincible Israeli Defence Force (IDF), among the world's five most technologically sophisticated armies, found itself in a no-win situation in Lebanon and for now it has beat a humiliating, if still partial, retreat.

### Israeli war aims

The ostensible pretext for the Zionist regime's war was the abduction by Hezbollah guerrillas of two Israeli soldiers in a daring raid that also claimed the lives of eight other troops. In an act of breathtaking hypocrisy for a state which continues to occupy Syrian, Lebanese, and Palestinian land and ignores UN resolutions to withdraw, Israel insisted that its actions constituted self-defence and that it was merely seeking to ensure the enforcement of UN Resolution 1559; a resolution calling for the disarmament of Hezbollah.

This justification for the war, and the ferocious bombing campaign that went with it, was repeatedly echoed by both Bush and Blair, the most open backers of the Israeli offensive.

While the scale of IDF casualties in the 11 July incident was high, cross-border incursions by both sides along the Lebanese border, as well as rocket and artillery duels, had been almost routine in the six years since Israel's official withdrawal from Lebanon. For all the proclaimed concern with excising the ruthless "terrorist threat" posed by Hezbollah, there were more important reasons for the offensive, some specific to Israel and others inextricably linked to Israel's role as a military gendarme for the United States in the region.

Israel's Olmert government had recently suffered an embarrassing attack from Palestinian guerrillas in Gaza. Only three weeks before Hezbollah's audacious move, a small Palestinian grouping had captured a 19-year-old IDF corporal. He was to be used as bargaining chip in an attempt to



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secure the release of a few of the nearly 10,000 Palestinians still held prisoner by Israel – some 900 of whom have been detained indefinitely without trial.

The Olmert government's answer to the this kidnapping was swift and brutal, with the meting out of a collective punishment to the Palestinian residents that continues now on a more or less daily basis; over 200 Palestinians, mostly civilians, have been killed during this offensive. Alongside the targeted killings of militants, the Israeli's proceeded to lock up many Hamas leaders and legislators including the speaker of the parliament. For the coalition in Tel Aviv this was the best excuse yet to directly attack the Hamas administration of the Palestinian Authority, an administration that the imperialists were already trying to bring down through a boycott and withdrawal of aid that has left civil servants and teachers unpaid and children scavenging the streets for food.

The Hezbollah action, undoubtedly long-planned but partly in solidarity with the battered and besieged Palestinians of Gaza, was also designed to engage the Israeli military at a time of Hezbollah's choosing.

The IDF and Defence Minister Amir Peretz (the failed Labour Party leader at the country's last election), anticipated that their unrestrained aerial assault combined with an air and sea blockade, would lead the vast majority of the Lebanese population to blame Hezbollah for the renewed misery inflicted on their tiny state. They hoped that Hezbollah would be effectively isolated or even subject to attack from other Lebanese militia's.

This proved a gross miscalculation for which the fragile Olmert/Kadima Party-led coalition government may still

Bush had to rush new bomb supplies to the Israeli airforce, many of which undoubtedly passed through British airports.

## A war made in Washington

While Israel had its own reasons for acting against both Hezbollah and Hamas it would never have done so without US approval and encouragement. Both the scale and swiftness of the Israeli attack on the Lebanon showed that these plans had been prepared long in advance and were waiting for a pretext, and Washington's approval, to be carried out.

As Washington's "long, strong arm" in the region, Israel could certainly count on the Bush administration's tacit support. But there is good reason to believe that Tel Aviv was effectively waging a proxy war on behalf of the United States against both Iran and Syria.

The reasons lie in the failure of Bush's offensive in the Middle East – the war and occupation of Iraq has backfired. The removal of Saddam Hussain was meant to result in a strong, democratic, neo-liberal regime – one closely allied to the US. Instead Iraq has become a quagmire. Worse its descent into ethnic and religious strife and regional rivalry has removed it as a counter balance to Iran. The main beneficiary of Bush and Blair's war has been US arch-enemy, Iran.

With pro-Iranian Shiites dominating the Iraq government, and Iran intent on pursuing its nuclear power programme in defiance of Washington, the US is desperate to bring down the Iranian regime. It has also given up on trying to persuade Syria to acquiesce to US and Israeli goals in the Middle East. The "arc of evil" which stretches from Iran, through Hamas in Palestine, Hezbollah to Syria has to be smashed. Israel attack on Hezbollah and Lebanon was the first brick in the wall.

Evidence unearthed by the US investigative journalist, Seymour Hersh, who was responsible for revealing some of the horrors of Abu Ghraib jail, lends credence to the view that senior officials in the Bush administration were not merely complicit but intimately involved with Tel Aviv's war plans. According to a figure described by Hersh as a US government consultant, a principal but by no means lone source for the story, several Israeli officials visited Washington, separately, to get a green light for the bombing operation and to find out how much the United States would bear.

The consultant added, "Israel began with Cheney. It wanted to be sure that it had his support and the support of his office and the Middle East desk of the National Security Council. After that, persuading Bush was never a problem, and Condi Rice was on board". (Watching Lebanon: Washington's Interest in Israel's War, *New Yorker*, 21 August, [www.newyorker.com](http://www.newyorker.com)).

The Hersh article goes on to say that there were, in fact, significant divisions within Bush's cabinet and among senior advisors, with some, including arch neo-con, Defence Secretary Donald Rumsfeld, being distinctly lukewarm about the Israeli offensive.

Certainly, by early August, leading neo-con pundits in the mainstream US media, such as Charles Krauthammer, were bemoaning Israel's failure: "The defeat of Hezbollah would be a huge loss for Iran, both psychologically and strategi-

**Senior officials in the Bush administration were not merely complicit but intimately involved with Tel Aviv's war plans. Several Israeli officials visited Washington to get a green light for the bombing**

pay a very high political price. In the space of three weeks of war, Olmert went from being a war prime minister with an approval rating above 90 per cent among Israelis, to nearly two-thirds of those polled branding him "a failure".

By Israeli standards, both military and civilian casualties were high. The daily barrage of Hezbollah's, Iranian-supplied Ketusha rockets prompted the evacuation of nearly half a million Israelis and caused huge disruption to small businesses in the north of the country.

Of course unlike the Lebanese population, the Israeli's had properly constructed shelters. And while Hezbollah fired inaccurate and out of date rocketry the IAF was supplied with the most up to date US planes and bunker busting bombs, one of which destroyed the makeshift shelter in the village of Qana, where 54 Lebanese women and children perished on the night of 29 July.

Such large amounts of these munitions were used that



cally, Iran would lose its foothold in Lebanon. It would lose its major means to destabilise and inject itself into the heart of the Middle East. It would be shown to have vastly overreached in trying to establish itself as the regional superpower. The United States has gone far out on a limb to allow Israel to win and for all this to happen. It has counted on Israel's ability to do the job. It has been disappointed. Prime Minister Ehud Olmert has provided unsteady and uncertain leadership ... His search for victory on the cheap has jeopardized not just the Lebanon operation but America's confidence in Israel as well." (*Washington Post*, 4 August 2006).

Whatever the extent of Washington's reliance on Israel as its surrogate in this instance, the inability of its regional gendarme to deliver a body blow to an extremely cohesive and determined Islamist organisation, with extensive Iranian and Syrian support, compounds the Bush administration's headaches.

It is bogged down in Iraq, with a growing threat of civil war, and with acute problems besetting the US army in terms of recruitment and heavy reliance on reluctant reservists and it faces a growing Taliban insurgency in Afghanistan. Being able to take on the Iranian regime like it did Iraq looks highly unlikely after the Lebanon setback. Even an aerial strike against Iran's nuclear facilities, a preferred option of some US right wingers – would run the danger of Iran replying with orchestrated attacks on US forces in Iraq and possibly a re-opening of the Lebanese front.

For the moment, a combination of sabre-rattling rhetoric and multi-lateral manoeuvre looks more likely. The neo-con architects of the Iraq invasion and the associated Project for a New American Century have begun to fall out with their academic apologists and media acolytes. Donald Rumsfeld recently branded the growing numbers of prominent opponents of the Iraq war as "morally confused" and akin to appeasers of Hitler, in a speech to an American Legion convention on 28 August.

However, the Israeli assault on Lebanon had afforded Bush something of a rare respite from his domestic critics as the mainstream media swiftly rallied to the Israeli standard and the leading figures in the Democratic Party fell over themselves to demonstrate their undying fidelity to Tel Aviv. Undoubtedly, potential presidential candidates like New York senator Hilary Clinton are keen to attract the campaign contributions of diehard Zionists among affluent Jewish liberals, but more significantly few Democrats of any standing will even contemplate breaking from the bipartisan consensus around support for Israel that is as uncritical as it is unconditional.

When a well-heeled opponent of the Iraq war, Ned Lamont, defeated the incumbent senator Joe Lieberman, a Democrat who had stood as Al Gore's running-mate in 2000 and has been among Bush's most ardent defenders in Congress, Lamont was at pains to stress his support for Israel, including its invasion of Lebanon.

In short, the unconditional support for Israel is not because of the power of a "Zionist or Jewish lobby", but because the two main parties of capital in the US continue to view Israel as the vital, and principal local enforcer of US interests in the Middle East.

Despite the long-term cultivation of Arab allies in the region from the House of Saud through to Hosni Mubarak

## **The assault on Lebanon had afforded Bush something of a rare respite from his domestic critics as the mainstream media swiftly rallied to the Israeli standard**

(Egypt is the second largest recipient of US military assistance in the world after Israel), none can begin to perform the same role as Tel Aviv.

The governments of Saudi Arabia, Egypt and Jordan were quick to condemn Hezbollah's actions thus providing cover for Israel's attack on Lebanon. But they found themselves completely isolated as support for Hezbollah and condemnation of Israeli atrocities against Lebanese civilians swept the Middle East.

Fearing for their own skins they quickly started criticising the Israeli offensive and demanding a ceasefire at the UN via the Arab League. These are unreliable allies for Washington, and US imperialism knows it.

The White House, with complete support from Tony Blair, spent the first period of the war blocking every attempt to use the UN to get a ceasefire. After all Israel had to be given time to destroy Hezbollah and test its strategy of forcing the Lebanese to acquiesce or aid it in doing so.

With Israel's failure to achieve significant progress in its ground war, much less a swift and decisive victory, the administration began to shift, dropping its intransigent unilateral posture and looking for partners at the United Nations Security Council to engineer a ceasefire – attempting to achieve through the UN what the Israeli army had failed to do on the battlefield – to neuter and disarm Hezbollah.

## **Europe to the rescue**

Tony Blair's role as Bush's right-hand man and shameless apologist for Israeli action has only intensified the crisis of his premiership – his refusal to support a ceasefire caused outrage throughout the Labour Party.

The Lebanese war, which laid bare disquiet and divisions within his own Cabinet, has no doubt hastened his departure from No 10 Downing Street. With Glasgow's Prestwick airport, as well as British military bases, in use as staging posts for weapons shipments to the IDF, Britain has played an active role in aiding and abetting Israel's crimes in Lebanon and Gaza.

France, the one-time colonial power that had exercised indirect control over Lebanon from 1920 until the 1960s had sought to reassert its role among the major imperialisms within days of the Israeli invasion. After collaborating closely with the US in the preceding two years in an effort to curb Syrian influence, Jacques Chirac again opposed the Bush/Israeli military intervention in Lebanon.

The Chirac/de Villepin government called for an immediate ceasefire, linked to the dispatch of a UN "peacekeeping" force into a south Lebanese buffer zone. The initial French proposals were so outrageous – giving Israel most of what it had wanted and failed to achieve on the battlefield – that



both the Lebanese and the Arab League denounced it. In the end the imperialists had no choice but to make concessions to them.

After much rhetorical resistance to such a "solution" by the Bush administration's UN Ambassador, John Bolton, a proposal along French lines eventually became the basis of Security Resolution 1701. The climbdown by the Bush admin-

istration was undeniable but the resolution still attempted to deliver a fatal blow to Hezbollah. The text of the resolution made no reference to lifting the Israeli blockade, which went on for weeks, there was no commitment to opposing, however feebly, further Israeli incursions into Lebanese territory, and there was still a reference to "disarming Hezbollah". However the timing was left so ambiguous that UN

## HEZBOLLAH

# The "Party of God" is no friend of democratic rights

HEZBOLLAH WAS the backbone of the armed resistance to the Israeli invasion, especially in the Shiite south, which it effectively controls. The successes against the IDF in the ground war displayed tactical cunning, courage and discipline against more numerous and far better-equipped forces.

Little wonder, then, that Hezbollah soared in popularity across Lebanon's ethnic and confessional divides during and in the immediate aftermath of the war. Even the Druze leader, the multi-millionaire, Walid Jumblatt, had to abandon his verbal attacks on the organisation as the war continued.

As a result the ascent of Sheikh Sayyed Hassan Nasrallah, the party's leader, to almost film star status across the Arab world was no great surprise. In street markets across the region the image of his smiling face has become ubiquitous since July.

### Nasrallah's rise

In Britain, Respect MP George Galloway has sung paeans of praise to Nasrallah from the platforms of London anti-war demonstrations, calling him the "true leader of the Arab people".

As the sole force willing and capable of fighting the Israeli onslaught to a standstill it was certainly right to support Hezbollah. Its victory over the Israeli forces was a blow to imperialism. All those who refused to take sides – like the Zionist apologists in the Alliance for Workers Liberty – effectively ducked the fight with imperialism.

Revolutionaries should have given unequivocal support for the resistance, led by Hezbollah, against the Israeli war machine, but revolutionary internationalism demands also an unflinching critique of Hezbollah's politics and strategy.

Failure to do this by the likes of Galloway and Socialist Worker sows illusions in the ability of Hezbollah to defeat imperialism and satisfy the demands of the masses.

Hezbollah, the "party of God", first emerged in 1982, largely in response to the dramatic escalation of Israel's military offensive in Lebanon against the backdrop of a civil war then already in its seventh year.

The party arrived in Lebanon after the Shiite clergy had consolidated their political control over post-revolutionary Iran. Hezbollah drew recruits, including Nasrallah, from the existing Amal militia, the principal armed body of Shiites fighting in the pre-existing civil war.

The organisation first declared its existence publicly in February 1985, with its original programme combining opposition to the existence of the state of Israel and western imperialism's continued presence in the region with a commitment to creating an Islamic republic in Lebanon. It has apparently since abandoned the latter element from its public programme.

In the 15 years between its initial public emergence and the hasty Israeli withdrawal from Lebanon in 2000, Hezbollah developed into a substantial military force within Lebanon. Though estimates of the numbers of armed guerrillas vary

wildly, it had at least 1,500 to 2,000 battle-ready troops in south Lebanon in July 2006. It undeniably suffered heavy losses during the battles with Israeli forces, and IDF claims of more than 400 Hezbollah dead appear plausible, but it will quickly replenish its ranks due to its success.

Much of the military hardware, including rocket-propelled grenades with the capacity to penetrate US/Israeli tank armour, has come from Iran and there is no secret that Shiite clerics in Teheran have been a key ideological influence over the movement. Similarly, despite Hezbollah's own remarkable fundraising capacity among local Shiites, it is no secret that Iran has also bankrolled the movement to the tune of tens of millions of US dollars in recent years.

### Electoral base

After Israel's withdrawal from southern Lebanon in 2000 Hezbollah did not seek retribution against the largely Christian forces that had made up the South Lebanon Army – the Zionist surrogate that had backed the Israeli occupation.

Rather, the Hezbollah leadership concentrated on building an electoral base with notable success. The party captured up to 80% of the popular vote in southern regions at the time of the last Lebanese parliamentary poll in spring 2005, winning 14 of 128 seats and receiving two posts in the Siniora government's bourgeois coalition cabinet.

The party's relationship with Damascus and the successive Assad regimes has been more complex than with Teheran.

It would be simplistic to depict Hezbollah as a Syrian cat's paw, but it acted to mobilise its supporters in pro-Syrian demonstrations amid the supposed Cedar Revolution.

This was a movement backed by



commanders were able to declare as they arrived that this was not their immediate job.

While both the Lebanese (including the Hezbollah ministers) and Israeli governments agreed more or less reluctantly to accept 1701 as the basis for a ceasefire, the assembling of a 15,000-strong "peacekeeping force" to replace the impotent UNIFIL in south Lebanon has proved slow.

With the French almost immediately retreating from a leadership role, Romano Prodi's Italian coalition stepped into the breach, offering the single largest contingent of troops for the multi-national force, which will ostensibly assume responsibility for the disarming of Lebanon's militias at some time in the future.

The reluctance of the European imperialists to commit

Washington though unleashed by the spectacular assassination of the anti-Syrian ex-premier Rafik Hariri in February 2005.

In no small measure Hezbollah has provided a viable alternative in parts of the country to state welfare, health and educational provision. As a report for the United Nations notes: "Hezbollah not only has armed and political wings – it also boasts an extensive social development programme. The group currently operates at least four hospitals, 12 clinics, 12 schools and two agricultural centres that provide farmers with technical assistance and training. It also has an environmental department and an extensive social assistance programme. Medical care is also cheaper than in most of the country's private hospitals and free for Hezbollah members."

In addition, the party's social service agencies provide health care and schooling for poor farmers.

Even a CNN correspondent in Beirut noted that in circumstances where large sections of the capital lost water supplies as a result of Israeli bombing in July, it was Hezbollah rather than the government that appeared to be meeting the population's most basic needs.

In contrast to most of Lebanon's political parties it has stood above the corrupt division of governmental spoils along ethnic and confessional lines that was characteristic of Rafik Hariri's premiership.

In this way, as with Hamas in the occupied territories, it has gained political influence at the expense of the corrupt and inefficient nationalist and secular forces in the country.

None of this marks out Hezbollah as essentially different from political Islam elsewhere – for example, the former Refah (or Welfare) Party now in power in Turkey. In the Lebanese cabinet it has certainly given no

hint of threatening the country's prevailing socio-economic order. When it comes to the position of women it follows the reactionary policies of the Iranian clerical regime. While it is not the Taliban – it has encouraged broadly equal access in all aspects of education for women and girls and a number of its political candidates in recent years have been women – Hezbollah does impose the veil, bans cosmetics etc. It is also virulently homophobic.

### Enemy of democracy

A Hezbollah government, or a coalition it dominated, would undoubtedly throw back the position of women and threaten the democratic rights of all Lebanese.

It is doubtful as to whether Hezbollah draws a meaningful distinction between Judaism and Zionism. Some of Nasrallah's interviews have suggested that he is an unabashed anti-Semite, feeding off the widespread anti-Jewish sentiment that swells with every piece of arrogant brutality of the Zionist state.

Hezbollah's rise has resulted in no small measure from the abject failure of Stalinist-influenced parties and bourgeois nationalist movements across the Arab world to successfully combat Israeli aggression or improve the material conditions of huge swathes of the Arab masses.

This observation has itself become almost a truism on the left internationally, but that makes the difficult task of constructing a new secular, explicitly socialist left in the region no less urgent.

However courageous and determined the guerrillas of Hezbollah have been in the recent conflict with Israel, the reality of national liberation struggles have

time and again showed the limits of this method of struggle – they rely on a small, secret, guerrilla force and push the masses away from control of the movement. Revolutionaries will always use guerrilla warfare against a stronger enemy, but as part of a broader struggle based on building workers and peasants' militias – armed organisations under democratic control.

More important is the question of a social programme that actually addresses the root causes of the Arab masses' impoverishment and the region's general underdevelopment.

Without a programme to address the oppression and poverty of the masses, one that points to a new type of society where exploitation and oppression is abolished and capitalism and imperialism destroyed, organisations like Hezbollah will continue to make gains amongst the masses.

Hezbollah, like the clerical regime in Iran remains, a pro-capitalist force. In power it would support the bosses against the workers and deprive the trade unions of their freedom. For socialists there can be no room for compromise regarding the status of women in society, the rights of homosexuals and opposition to the oppression of minorities on the grounds of ethnicity and/or religion.

Despite supporting Hezbollah in its struggle against the Israeli army, this movement poses a deep threat to women, workers, students and minorities in the Lebanon.

It has to be fought politically and in any struggle for power by the workers, and as with the Iranian revolution of 1979, militarily. Without a clear recognition of this, the Lebanese left could go the way of the Iranian workers' movement, crushed by a clerical counter-revolution.

### LINKS

[http://www.newyorker.com/fact/content/articles/060821fa\\_fact](http://www.newyorker.com/fact/content/articles/060821fa_fact))



# International / Lebanon

significant forces no doubt stems from the last time they intervened in the Lebanon. In the early 1980s during an earlier Israeli invasion a Multi National Force of US, French, Italian and British troops supervised the evacuation of Yasser Arafat's PLO and went on to try and bolster a weak Lebanese government in the midst of a civil war. In October 1983 simultaneous suicide bombings of US and French headquarters killed 248 marines and 58 French paratroops. Within months the Multi National Force disbanded and left Lebanon, leaving the Israelis in occupation of the south.

## A new occupation of the Lebanon

No one should believe that the aims of the UN force have anything to do with "peacekeeping". Despite attempts to decorate the force with Muslim troops – from Turkey, Indonesia, Malaysia – it will be led by the European imperialists and its aim will be to "stabilise" Lebanon by disarming Hezbollah and strengthening the anti-Syrian coalition government.

It is at the moment "feeling its way", tacitly agreeing that it will not immediately confront Hezbollah providing arms are kept out of sight. Once it is up to full strength and it feels more certain of support from the Lebanese army it will be a different question.

Israeli troops remain in the south and the blockade of the coast was only reluctantly lifted in early September. German navy forces will play the role the Israeli navy has played in preventing Hezbollah replenishing its arms supplies, while the UN force will move troops to the Syrian border to do the same their.

The aim is to progressively weaken Hezbollah, and thus guarantee security to Israel's northern border. It will provide an imperialist military presence that can ensure that the Lebanese government remains pro western, anti-Syrian and minimises Iranian influence.

Such a task will not be easy. Israel's destructive campaign had the opposite effect than it expected. It rallied support for Hezbollah, which was seen as the only force defending Lebanese sovereignty and opposing Israeli attacks on both Lebanon and the Palestinians.

At a grass roots level sections of the movement which led the "Cedar Revolution", a movement that forced the Syrian army to withdraw last year after the assassination of former PM Rafik Hariri, have rallied to support the Shiites bombed from their homes in southern Beirut. Hezbollah remains undefeated and part of the government.

A motley collection of troops from various states gathered in a UN force will not easily take them on. This is why Israel is allowed to remain in the south and will no doubt be given a relatively free hand military if Hezbollah proves resistant to UN demands.

Socialists and anti-imperialists should be at the forefront of demanding all foreign troops – UN, Israeli and Syrian – leave Lebanon. The forces of resistance to Israeli aggression in the Lebanon have every right to obtain arms from any supportive state – Iran, Syria.

The danger is that these militias – like Hezbollah – remain surrogates for the states that arm and support them. It is vital that Lebanese masses themselves – the workers, students poor peasants and urban poor – proceed to form their own

non-sectarian militias, fighting for a secular and revolutionary socialist Lebanon.

The Lebanese war has revealed once again the essential nature of the Zionist state of Israel. It remains an imperialist dagger thrust into the heart of the Middle East. Armed to the teeth by US imperialism, with its nuclear and biological weapons stockpiles in reserve, Israel reserves the right to militarily dominate the surrounding countries. Its privileged citizens, like those of all colonial settler states before it – Ulster, South Africa, Algeria – constantly cite threats to their own existence as the basis for their monstrous oppression and vicious attacks on surrounding peoples, for their occupation of Arab and Palestinian lands.

In Israel the response to the war and its failure has been to strengthen the far right. IDF reservists have taken to the streets to denounce the government for not having the stomach to win the war. While Binyamin Netanyahu, the US-educated warmonger with few peers in vociferous anti-Arab rhetoric, has seen his star rising. He denounces the Kadima coalition for withdrawing from Gaza and advocates continued control of the occupied territories and an expansion of settlements.

The leadership of "Peace Now" gave its unqualified support to the invasion, with such liberal intellectuals as novelist Amos Oz siding firmly with the Olmert government during the war. Even the London *Guardian's* liberal apologist for Zionism, columnist Jonathan Freedland, expressed the hope that Olmert would score some sort of victory in the Lebanese war since darker forces were waiting in the wings in Israel!

Only Gush Shalom (the Peace Bloc led by Uri Avnery, made up of a few thousand activists) denounced the war and organised a series of demonstrations against it. Many were attacked, beaten and shot by the "democratic" Israeli government's security services.

## Israel – gendarme of imperialism

As long as Israel exists as a racist, Zionist state – something built into its very foundations – it will continue to inflict wars and misery on the surrounding peoples. The hypocrite Blair had the cheek to visit the Middle East shortly after the war seeking to put the "roadmap to peace" back on track.

By this he meant force a coalition government on the Palestinians which would recognise Israel's ongoing occupation and crack down on the Palestinian resistance. In return – a fine promise sometime in the future of Palestinian statelet – a series of disconnected "cantons" under Israeli military and economic domination.

The only way of ending the wars, misery and oppression of the Palestinian people, and freeing the Middle East, is to fight for the dismantling of the Israeli state and its replacement by a revolutionary socialist state of Palestine, one where Jews and Arabs live together.

Only a revolutionary socialist perspective, that wins over the masses in Lebanon, Palestine, Syria, Jordan, and above all Egypt, and sweeps away the reactionary ideologies of Zionism and fundamentalist Islam can provide the solution to the crisis in the Middle East. The alternative will be evermore violent and destructive wars throughout the region.



*When Tony Blair steps down next year as leader of the Labour Party part of his “legacy” will be a fundamentally reshaped National Health Service compared to the one inherited from the Tories in 1997. Clare Heath looks at the long road to the market in health care in Britain*

## What price health?

IT HAS been a central plank of New Labour's three terms to shake-up the NHS by introducing competition with private providers. First they continued and expanded the outsourcing of ancillary services such as cleaning, catering, portering and IT support introduced under the Tories.

Then they invited banks and businesses to build hospitals and lease them back to the NHS in return for guaranteed profits. Next up for auction were the very lucrative, low risk contracts for routine clinical procedures in the new independent sector treatment centres.

The urgent task of modernising NHS computing systems has been handed over to private companies like iSoft who are charging millions to create a monumental mess. Meanwhile local hospitals and clinics are working with old systems that are unable to link patient results to patient addresses in order to send out automated results.

Most recently is the “outsourcing” of NHS Logistics to global delivery boys DHL in a deal worth £1.6bn. Another plan to allow private companies commission NHS clinical services on behalf of local primary care trusts was temporarily shelved but only after a leak to the Press earlier this summer caused a political furore.

All of this is being done in the name of improving patient care, delivering choice and value for money. In truth it has

been more about improving profits and delivering choice contracts to the private sector.

### **The NHS in the past**

Internationally the NHS has been a unique organisation, centrally managed and funded through taxation and National Insurance, being free to all at the point of need.

Priorities and procedures, including which treatments should be available and what constitutes a good standard of care, were largely determined from the centre and delivered through a network of local organisations. The delivery of these services was uneven, with resources often determined by historical precedent such as the location of the old teaching hospitals, but they were provided in a common framework and with unified terms and conditions for staff.

From its inception in 1948, the NHS developed into an organisation employing over one million people by the 1970s – the largest employer in Europe apart from the Soviet Armed Forces.

This massive enterprise, not subject to the norms of the market but run through bureaucratic “planning”, sat uncomfortably in the centre of Blair's modernising market after his election in 1997. Blair is an ideological marketiser, who



# Britain / NHS

strongly believes that only the market can deliver goods and services in an efficient and responsive way, providing people with "choice" and quality. More importantly, privatisation of state run assets opens up whole new areas for making profits which is why the multi nationals are swarming like vultures around the health sector. But the NHS has been a difficult area for Blair to tackle since it represents old-fashioned welfarism and is the most popular social reform of the last sixty years.

In 1997 Blair used the popularity of the NHS to defeat the Tories, declaring on the eve of the election that voters had "24 hours to save the NHS". Yet by the time Blair retires as prime minister next year he will have largely succeeded where Thatcher and Major failed – he will have destroyed the NHS as a state provider of health care.

## The new NHS

In his last term of office he has set about completing the transformation of the NHS into something completely different from its original template: it is now a managed market with multiple clinics, hospitals and staff, from state, non-profit and commercial sectors, delivering health care on

**Wherever managers appear they are soon followed by accountants and lawyers. This was reinforced in 1990 by the creation of the internal market**

behalf of something called the "NHS". In other words the NHS as a national provider of health care is being, and to a large extent already has been, abolished. All that remains is the grin on the Cheshire cat, or the brand logo.

The transformation from a bureaucratically planned health service to a market one is complex. Privatising public amenities like gas and postal services is one thing – they are, after all, objects or services that can be produced, owned, priced and sold as commodities. However, opening up the NHS to the market presents major problems. A market requires a commodity, a person who sells it, and a buyer. For the market to operate with competition there must be many sellers and buyers, with the buyers knowing what commodity they want the best deal.

In the case of the NHS the commodity is "health care". This is not clearly defined and not one with an obvious buyer. In a fully market-based system the individual or their family will purchase health care. But the buyer is not usually in a position to know what it is they need, due to the nature of the problem. The supplier (doctor, nurse etc) not only sells them the commodity, but they also have to tell them what it is that they want (or need).

This leads to a distorted market in which the supplier has almost complete control – the patient comes in with a problem and the doctor says you need to purchase this commodity from me. In short it is a license to print money. Even the *Financial Times* can see the problem of introducing the market in the NHS as it pointed out in a recent article:

"NHS patients are not (paying customers). They are both price-insensitive (because they do not pay) and, in the purest sense of the word, ignorant: in most instances they lack the medical expertise to judge whether the quality of care is likely to be good. Compared even to privatised power and water, health is a deeply abnormal market."<sup>1</sup>

The buyer is ignorant and therefore cannot regulate the market in any way, and hence this cannot operate like a normal "market". The potential for abuse is legion, and hence the need to regulate health care, by the professions alone or more commonly together with the state.

## Expanding demand

There is an additional problem: the "ever expanding demand" for NHS services has been one of the key motives for Thatcher and then Blair in trying to cap the amount of money spent. In the early days of the NHS the Minister of Health in the 1945 Labour government Nye Bevan and his Tory successors had a belief that the provision of a free health service would lead to improvements in population health, thereby reducing the need for the service in the future.

The NHS did make medical care widely available, but unfortunately for the architects of the welfare state this did not lead to a reduction in demand for health care in the 1960s and 1970s. Reductions in infectious disease were already occurring as a result of improved nutrition and housing, and the NHS accelerated these, but this improvement was then overtaken by chronic diseases which took up even more resources as people began to live longer.

Technological advances in diagnostics and treatment have also meant that there is a greater "demand" as people, and their doctors, expect this progress to be translated into better care, including prevention. In addition, there has been a medicalisation of more and more parts of our lives, turning everything from childbirth to ageing and disruptive behaviour into "conditions" requiring treatment and thereby expanding the market for health care.

In this of course the NHS has simply followed the norms of capitalist consumption. People's "needs" rarely arise spontaneously from the consumer; rather, they are created by the supplier/producer in order to expand the market for their profit-driven merchandise or services.

Pride of place in the health industry goes, of course, to the multinational drug companies. They they have successfully implanted the idea that the menopause is a condition for which all women need treatment with Hormone Replacement Therapy (HRT) to manage some common symptoms. It was then reported that taking HRT for much longer would keep women feeling younger and prevent heart disease. The drug companies resisted quality trials on these aspects for years, preferring to encourage life-long treatment for millions. Many of these justifications for prolonged treatment (and greater profits) have now been disproved, much to the disappointment of the shareholders.

## The attack on planned provision

From 1948 to 1988 the NHS continued to be the most efficient and equitable form of health care in the world. In 1980 the NHS together with the small private and independent



health sector in the UK cost just 5.7% of GDP, half that of the USA (11.9%) a system based largely on health insurance and the market.

The NHS was underfunded, operating from old premises and with an uneven provision across the country, but nonetheless it delivered a better, more equitable service and with better health outcomes than the costly system in the USA. During this time it was completely state run and covered the whole population including the unemployed and visitors to the UK. It also had a very attenuated democratic element with Community Health Councils including delegates from local councils and labour movement bodies.

In the 1980s neo-liberal politicians and big business demanded an end to this monolith of "state planning" which ate up a significant proportion of national wealth yet remained relatively immune to the market. At first the chorus of complaints was muted. After all, the profiteers could make big money through drug sales and by providing the NHS with other medical supplies and equipment.

Even chief executives of big companies benefited from the free state health care – in other countries employers have to pay for health insurance, a growing and significant cost as the US car firms have discovered. But these advantages were not enough, and the marketers set their sights on the profits that could be made from delivering health care itself.

But how do you transform a massive centrally planned service into a market system? Some parallels can be drawn with the attempts to reform planning in the Stalinist states of USSR and eastern Europe in the 1960s-1980s.

There, market mechanisms (e.g. factory management autonomy, profit-maximising behaviour of each unit) were introduced in order to correct declining productivity, limited consumer choice and a poor record of technological innovation. Various experiments in Hungary, Yugoslavia, and Gorbachev's Russia between 1965-87 however suggested that if the remaining curbs on enterprise autonomy were substantial (e.g. an inability to invest in additional capacity, an inability to cease trading or to sack workers) then enterprise autonomy could not lead to an effective mimicking of competitive markets and the system descended into chaos.

Eventually in Eastern Europe managers insisted that they needed freedom to set prices (based on costs plus profit) and allowing these prices to regulate supply and demand for their product, irrespective of what the "plan" said the population as a whole needed. Hence, in time the plan became "indicative" only and was eventually abolished.

## The road to the market

The whole history of reform of the NHS in the 1980s and 1990s can be seen, in part, as a replay of these experiments to tinker with market mechanisms within the NHS while keeping centralised control over essential aspects of it. But the Blairite policies in the third term have pushed further than ever in the direction of devolving all key decisions on what health services make and sell onto commercially sovereign, independent units. This leaves the government (or "NHS") as a kind of Ofcom for the health sector, a regulating body with oversight powers to prevent monopoly abuse. Blair has put all the key elements of this system in place, and

over the next two years they will begin to operate fully and destroy the NHS as it is.

Thatcher was the first to try and provide a much bigger role for the market in the NHS, but she failed to deliver. She had other more pressing battles, many of which would lay the groundwork for Labour's subsequent assault. She destroyed the power of key sections of the working class through a combination of industrial destruction, anti-union laws and cuts in the public services. However, enduring popular support for the NHS meant that she could not simply ditch it in favour of a market for health care, delivered through private insurance. People would not, and still do not, accept

**Thatcher and then Major after 1990 tried to introduce an internal market in the NHS. With this model the government, rather than the patient, remained the customer**

the break up of the universal coverage that is largely free at the point of use.

Thatcher's strategy was firstly to weaken the NHS through massive cuts in spending, holding down wages and demoralising the workforce in the hope that this might erode popular support, whilst at the same time promoting private insurance based health care. Despite many sweeteners (through tax breaks etc) combined with the savage attacks on the NHS, the number of people taking up private health insurance did not substantially increase – from 5.1 million in 1985 to 6.7 million in 1995. This was not enough to introduce any real competition, and various plans for "vouchers" or other incentives for private care were never implemented.

Instead Thatcher and then Major after 1990 tried to introduce an internal market in the NHS. With this model the government, rather than the patient, remained the customer but they could "buy" services from a range of different suppliers. Under Thatcher this model failed but it has been enthusiastically, and successfully, implemented by New Labour. The difference is due on the one hand to the massive investment in the NHS under Labour, which has smoothed the way for some of the reforms, and on the other to the systematic putting in place of all the pieces necessary for this market to operate.

The steps they have taken to undermine the planned NHS, initiated by Thatcher and to be finally completed by Brown can be briefly summarised:

- Every sector of the NHS is run by senior managers, not health professionals.
- Money, and financial balance, has become the key factor informing NHS management at central, local and hospital level.
- Hospitals, community services and GP practices are run as separate entities, each with responsibility for their income, expenditure and capital assets.
- Contracts for ancillary, and now clinical, services have to be subject to competitive tendering (contestability).
- New capital investment has to be raised through the pri-



vate sector and paid back through future saving on operating costs.

➤ Any new initiative, from the employment of a new team of smoking cessation nurses to the establishment of a renal transplant unit has to start with a "business plan" balancing the cost with the anticipated income.

➤ Efficiency savings must be made year on year – introducing the idea of financial balance and then "profit".

➤ Planning for service development is no longer a function of public health specialists but of business managers.

➤ GP practices or groups of practices hold a budget to purchase care for their patients.

➤ Referrals from GP to hospital or outpatient care is by the "choose and book" system, in which the patient has to be offered a choice of providers that includes public and at least one independent or private sector option.

➤ Each item of service (a "health care resource group" or HRG) has a price and hospitals and other providers receive "payment by results" (PbR) from the GP.

Put all this together and you have a buyer (the GP practice), a commodity (the HRG) with a price, and a range of possible suppliers of the services. Twenty-three years after Thatcher first started to attack the centralised NHS we have finally arrived at a market in health care.

Still funded by central taxation and national insurance, but provided by a combination of private and public sector, with a clear mechanism for vast sectors of the provision to fall into private hands.

Let us look at how these components have been assembled.<sup>2</sup>

## Who's in charge here?

Adviser to Margaret Thatcher, Roy Griffiths, complained in 1983: "If Florence Nightingale were carrying her lamp through the corridors of the NHS today, she would almost certainly be searching for the people in charge." His recommendation, enthusiastically implemented, was that all hospitals needed General Managers. Previously hospitals were run by senior nurses and doctors as administrators who decided on priorities and service provision, albeit with far too little involvement of patients or the local population, meeting what they saw as the needs of their local population.

## The transformation from a bureaucratically planned health service to a market one is very complex, and there are few experiences to learn from

In 1986 there were 1,000 senior managers in the NHS; this rose to 26,000 in 1995, with spending on administration leaping from 5% to 12%. By 2006 this number had risen further to almost 40,000, despite Labour's claims in 1997 that they would shave £80m off the cost of management in the NHS.

The introduction of general managers in 1983 was rapidly followed by the devolution of "management" to individual

departments and wards, with staff required to account for budgets which at the time were being cut back.

Costs still appeared to be "spiralling" out of control, and the government found it hard to tackle the differential cost of health care in different hospitals. They introduced efficiency savings targets – year on year all hospital services had to make a 3% cut in their costs. This has led to restructuring (employment of lower grade staff to do certain jobs, restrictions on drugs budgets and, typically, holding back from "over-performing" since it costs more money).

This process of cuts was devolved down from the hospitals to their departments so that it became part of the culture of the NHS. Clinical directors of each department and sisters on each ward became responsible for making their own savings year on year.

Wherever managers appear they are soon followed by accountants and lawyers. This was reinforced in 1990 by the creation of the internal market. Thatcher got this idea from another friend, Alain Enthoven, a US economist specialising in the Arms industry. To force the NHS to be even more efficient everyone would have to account for costs not in annual reports, but through a process of contracts.

District Health Authorities (DHA) and later GP fund-holders would hold budgets and buy services from hospitals, looking around for the best value for money and shortest waiting lists. This was deeply unpopular, as GP fund-holders were given additional money and able to negotiate preferential treatment for their patients and a two-tier service rapidly emerged.

Labour came to power in 1997 committed to abolishing this internal market, and the first New Labour secretary of state for health Frank Dobson abolished GP fund-holding. However he retained many of the key changes that allowed the market to be reintroduced at a later date, including the idea of a separation of "commissioners" and "providers". The precise difference between a commissioner and a purchaser, when the commissioner holds the budget, remains something of a mystery.

## Competition

Although unable to introduce competition in the provision of clinical services, Thatcher did succeed in the sphere of ancillary services. Hospitals were required to introduce competitive tendering for all non-clinical services such as catering, cleaning, laundry and maintenance. These services were outsourced to private companies, or won by in-house tenders but only on the basis of reduced cost.

Wages and conditions worsened for these staff, and many were also removed from direct NHS employment thereby undermining the strength of general health service unions COHSE (Confederation of Health Service Employees) and NUPE (National Union of Public Employees) that had united ancillary and nursing staff.

Control over quality, for example in cleaning, is no longer done by the hospital staff directly, through employment of more staff and better supervision, but is now done through the contracting process – a series of negotiations with a private company to try and improve cleanliness, but always at a price. This outsourcing has continued to expand, and under Blair has been extended to include clinical services. Initially this



was for support clinical services such as radiology or pathology, but by 2006 this has actually extended to any clinical service. Competitive tendering is now called "contestability".

Under Thatcher hospitals were made to pay for their premises through the introduction of a capital charge, another reform intended to make them more efficient with their use of space. It also meant they could think about selling off land to help raise money for new projects.

The NHS had been woeful in seeing through its plans for new hospital building and refurbishment, and a determination to control public sector borrowing meant that few big projects were likely to be approved. The Tories, followed enthusiastically by Blair and Brown, developed a new way of funding capital projects in the state sector generally, but most enthusiastically applied in the NHS. These were the Private Finance Initiative (PFI) and more recently Local Improve-

**The precise difference between a commissioner and a purchaser, when the commissioner holds the budget, remains something of a mystery.**

ment Finance Trust (LIFT). These are a way of investing in new infrastructure without using public money up front. Money is raised from banks and business to pay for a new hospital, for example and the hospital is then owned and managed by a consortium of private investors and businesses who lease the premises and associated services to the hospital trust.

## NHS LOGISTICS

# A dispute health workers must win

ON THE opening day of the September 2006 TUC conference, Dave Prentis, the general secretary of Britain's biggest union, Unison, announced the result of a national strike ballot. Unison members at NHS Logistics, who account for nearly 1,000 of the 1,400 workers employed, had voted by a 3:1 margin on a 66% turnout to strike against privatisation.

Those employed by the state-run delivery arm of the NHS face the prospect of a take-over from 1 October by Novation, a US-based subsidiary of the German multinational, DHL. The deal, which also includes a much smaller NHS supply arm, is worth some £1.6bn over a 10-year period.

If strike action goes ahead over the outsourcing, it would mark the first national walkout in the NHS since midwives and nurses struck over pay in 1988. At the time of writing the Unison leadership had not named the days for any strikes, while media reports suggested that action might last for up to three consecutive days.

Despite the call for a strike ballot in the spring from several NHS Logistics' stewards, the union full-timers stalled. They spent many of the weeks in the run-up to the government's announcement of the sell-off lobbying MPs and seeking meetings with ministers in the hope that polite dialogue would secure

a change of mind. Then, suddenly, there was an about-turn.

The Unison website was urging members to donate to a strike fund on behalf of NHS Logistics' workers even before the ballot papers had gone out in the post. There were messages to activists across the whole union from Dave Prentis stressing the importance of the dispute as a "must win" battle for the future of the NHS.

The workers at NHS Logistics are certainly strategic and effective action at the five main depots scattered around England could have a very significant impact in many hospitals in a short period. After all, these workers ensure the supply of everything from hospital through to magnetic resonance imaging and X-ray equipment.

While such public support from the union bureaucracy for strike action by NHS workers makes a welcome change, Unison members need to remain sceptical at the sudden conversion of Dave Prentis and Karen Jennings (Unison's lead official for the NHS) to strike action against privatisation.

What NHS Logistics workers don't need is a bureaucratically stage-managed dispute that shies away from a confrontation with a badly wounded New Labour government. Stewards and other activists in the depots need to push

for democratically elected strike committees within and across the five main sites. The strikers themselves need to have control over their strike fund and exercise real decision-making power about how to fight and win through debates and votes at mass meetings.

Key to victory is the organisation of high-profile, effective picketing. Unison members should appeal to those in the GMB, including workers at DHL (where the GMB has a significant presence), to honour picket lines from the outset. First and foremost, NHS Logistics workers need to be prepared to use a weapon that has rarely featured in the arsenal of British trade unionists in the last 20 years – an all-out, indefinite strike. Other workers in the NHS must be won to ignoring the anti-union laws and joining the Logistic's workers in solidarity action.

Against the background of mounting public discontent with NHS cuts and privatisation across the whole of Britain, such a strike would be the quickest and surest way both to ward off the privateers at DHL and to inflict a major setback on a government hell-bent on pursuing its reactionary agenda of market "reforms" within the NHS.

**STRIKE FUND**  
[www.committedgiving.uk.net/unison/public/donor.aspx](http://www.committedgiving.uk.net/unison/public/donor.aspx)



The contract is usually for 30 or more years, and the cost has to be paid out of hospital income, requiring them to make an operating "surplus" in order to pay back the costs of the PFI. A £420 million PFI scheme is costing a Manchester hospital £51 million per year, about 20% of their revenue, for the next 38 years. At the end of that contract the consortium, not the hospital, will own the premises!

## Creating businesses

While Thatcher created hospitals run by chief executives and unelected trust boards, Blair has taken the next step and pushed hospitals to become self-governing foundation trusts. These trusts can, for the first time, borrow money, develop longer-term business plans and set their own terms and conditions for staff. They inherit the facilities from the NHS but then become quasi-independent and can start to operate like private companies. There are currently 48 Foundation Trusts and the Department of Health plans for all hospitals and community trusts to achieve this status by 2008.

The key to becoming a foundation trust is to have sound finances, and this is being used by the government to push through the current massive shake up of the NHS. Trusts that have not balanced their books are visited by Department of Health "turnaround teams" – IMF-style delegations that impose a series of cuts in spending.

Many trusts have found that they are no longer viable, so major hospital closures and service cuts are taking place. Certainly some restructuring of the NHS is necessary, since

## Blair is using his last term to put in place the final set of reforms to deliver a market in health care in the UK

services are unequal across the country; many small units are unable to provide the appropriate level of care, and there has been a historic focus on "high tech" hospitals rather than community service provision. But this sort of restructuring is being left to the market rather than a planned NHS, and it is going to mean that some areas will be left without any service provision in some specialties.

## Name the price

With self-managing trusts, commissioning GPs and the privatisation of many ancillary services firmly embedded, Blair is using his last term to put in place the final set of reforms to deliver a market in health care in the UK. The current reforms are designed to open up to multiple providers of care and create the regulatory structure for this market.

The government have introduced "payment by results" which is a tariff, based on previous average costs for a procedure, and applied across the board. Hospitals then receive that amount of money based on the numbers of those procedures they do. Clearly this will benefit those with low operating costs (since they still receive the same price per unit of

activity and can start to accrue a surplus). It will be another lever for driving down costs.

At the moment this monetary system it is somewhat disconnected from the "market" at the patient end, so-called "patient choice". Under choose-and-book, patients being referred to hospital for a routine operation have to be given a choice of different providers by their GP, including at least one independent provider. At the moment cost does not inform the patient's choice, and under the single national tariff it should not alter the GP choice either. The choice is to be based on "quality" (as rated by "Dr Foster's" league tables), location, reputation, and convenience.

The result of this kind of market is that the more popular services will be oversubscribed, their waiting lists will grow and they will either have to expand or stop taking people. Also, if they are expensive (i.e. cost more than the average) they will not be able to afford to take on the extra demand since each case they treat will effectively lose them money. So they either stop offering that service (however popular with the patient, however high quality) or they cut costs. It seems inevitable that a lot of hospitals will dramatically narrow the range of services they offer, concentrating on what they can make most money on.

## A quasi-market

For the hospitals, it becomes very difficult to operate in this quasi-market. Without a guaranteed future income (for a block contract for hernia operations, for example) they will have to try and predict demand to predict income. But what happened last year may be no guide to what happens next year if patients and GPs change allegiances. This in turn will encourage short-term contracts for staff since there is no guarantee that a service will be sustained.

This is where the private sector can really start to get a foothold. Under payment by results and "choose and book", it is clear that anyone can now provide these services. It has happened already in relation to elective surgery, with treatment centres taking some of the most common and straightforward procedures.

Now the government are saying it can happen in wider types of care. The private sector already dominates the social care market, with very variable quality. Now they are being invited to come in and offer primary care services, diagnostic centres, walk-in GP services at rail stations and supermarkets, screening services etc. They, like the NHS providers, will eventually be paid on the national tariff. But, just like the guaranteed profits in PFI, and the early days of private social care (where they were allowed to charge what they wanted and the local authority had to pay up), they are being offered preferential contracts.

Unlike the NHS providers, they are being given contracts for a minimum amount of activity – so even if they only do 100 operations, they may have a contract for a 1000 and get paid for 1000. In short, it's a very distorted market, an unlevel playing field with NHS providers facing a very steep uphill slope. A recent report on the Independent Sector Treatment Centres showed that they have only provided 80% of the procedures they have been paid for, and even that at an inflated cost around 10% higher than the national tariff.



## The end of universal free provision

The key features of the NHS that underpin popular support are the universality of care that is available to all regardless of ability to pay. Of course, this ideal has long been eroded. There was always a charge for prescriptions and dental care, but these started to rise sharply in the 1980s.

In 1989 a charge was made for basic eye tests, and the government put a limit on the fees it would pay to dentists for NHS work. Dentists had always been independent contractors, and they simply stopped taking on this "unrewarding work" to the point that now more than 50% of dental care is provided privately. The government also ruled that long term care would not be provided by the NHS, and that people who could afford it would have to pay.

The same is going to happen with general clinical care. Independent providers, whether nominally part of the NHS or not, will look for ways to increase their income and their "operating surplus". In the NHS at the moment this will not translate into profits for shareholders, but it is certain to be linked to payments for senior managers, executives and staff.

To generate surplus they will need to push down costs through intensification of work and employ cheaper, less-qualified staff to carry out tasks like nursing duties. They will also introduce charges. There are already quite extortionate charges for previously free things such as provision of televisions, phones and car parking.

Patients have always been able to pay extra to queue jump into private beds within NHS hospitals. It is inevitable that "hospitality" charges will become more widespread. If you can pay extra for a television, why not for a private room, smarter curtains and better food?

## Clinical care

And finally, of course, this has extended to clinical care. At one NHS hospital in London, the Queen Charlotte's and Chelsea Hospital, pregnant women are being offered the choice of basic care or a superior birthing package called Gentle Midwifery. For or a top-up fee of £4,000 the woman will be guaranteed the presence of a named midwife. This is the standard that is supposed to be operating in all obstetric units anyway, but cannot be guaranteed due to shortage of funds and, specifically, of midwives.

Other NHS hospitals are making some surgical services available to patients who pay. In one area local commissioners are refusing to fund some dermatology operations, and the hospital will provide them for a fee, using NHS staff in NHS premises during NHS time.

In all these examples, whether it is televisions or surgery, hospital managers argue that they are doing the NHS a favour by raising money that is then used to improve care generally. But for patients this becomes a two-tier service. If you have more money you can pay for a more comfortable hospital stay, and also for better quality care. And like dentistry, soon some fairly important services and procedures will only be available at a price. That most popular feature of the NHS – the availability of a universal service regardless of ability to pay – has gone.

Of course, this new model cannot be cheaper. It breaks

up central planning, and allows health care delivery to be guided by the demand of patients and GPs. This may sound very nice and Blairite, but it does not necessarily relate to improving health. People may (and with advertising and cultural pressure almost certainly will) demand ever more cosmetic surgery, drug treatments, liquid-coshes for unruly children, immediate access to new (unproven) treatments. This will not improve health or health care. Hospitals may get nicer curtains and better coffee shops in the foyer, but they may not be delivering better care to meet the needs of the population.

## A system based on need

What is the need for health care? It is perfectly possible to assess the health needs of a population, and to work out how much of what health care is required. But that is not possible under neo-liberalism since it involves planning and the pri-

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**There are still 1.3 million people working directly or indirectly for the NHS. The most urgent task is to draw these workers together**

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oritising of need over profit. The current model shies away from this and assumes, as in all things, that the market will deliver what is needed because it is responsive to demand.

But in health, demand is not the same as need. So not only will a multi-tier service develop, with quality being based on ability to pay, health outcomes are likely to get worse as some necessary services go to the wall because they are unpopular or expensive.

The way to improve health is through reducing inequalities, improving nutrition, reducing risks from the environment, promoting awareness of the health risks of smoking and alcohol, providing high quality preventive services including screening, vaccination, advice, antenatal care and long term care services. These systems can only be delivered through planning, since prevention never presents as a "need". Unfortunately, dismantling the NHS in this way will weaken these services as well.

There is an alternative to the market, but neither Blair nor Brown are willing to contemplate this. For all his prudence Brown has turned his back on an efficient system – a nationally planned and provided service – to embrace an inherently wasteful system based on the market.

The NHS was never perfect – it was run too much in the interests of the consultants and independent GPs, with the drug companies creaming off huge profits. But its improve-

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### LINKS

[www.keepournhspublic.com/index.php](http://www.keepournhspublic.com/index.php)

[www.healthemergency.org.uk/](http://www.healthemergency.org.uk/)

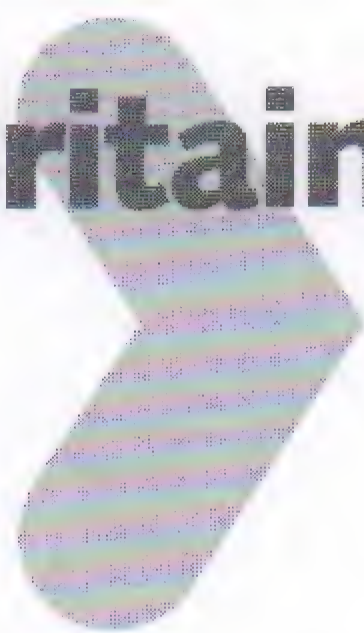
[www.nhscrisis.pwp.blueyonder.co.uk/](http://www.nhscrisis.pwp.blueyonder.co.uk/)

Socialism and planning, Keith Harvey

[www.permanentrevolution.net/?view=category&cat=75](http://www.permanentrevolution.net/?view=category&cat=75)



# Britain / NHS



ment has to start with the users and workers. While individual consumers can never fully know their needs in terms of the market, collectively the workers and users can determine needs, and plan and run services that meet them.

There are still 1.3 million people working directly or indirectly for the NHS. The most urgent task is to draw these workers together to resist and reverse privatisation, to refuse to be drawn into the massive bureaucracy involved in the market – counting and accounting for every single activity.

We can start with the resistance to the privatisation of NHS Logistics, and build this into a massive campaign of

strikes and protest that pull us back from the madness of a US-style system where the rich waste their money on unnecessary cosmetics surgery and the poor die without access to anything but the most basic care.

## ENDNOTES

1. Nicholas Timmins, *Financial Times*, 23 January 2006
2. A more detailed account of developments up to 2005 is provided in Allyson Pollack's excellent book *NHS PLC – The privatisation of our health care*, London, 2005



# Personality or politics?

*Fresh from his triumph over the Murdoch press, the leader of the Scottish Socialist Party Tommy Sheridan has launched a new organisation – Solidarity. Mark Hoskisson searches in vain to find a serious political difference between him and his ex-comrades*

TO THE casual observer the recent split in the Scottish Socialist Party (SSP) appears to have little to do with politics.

The party's leader until November 2004 – Tommy Sheridan – went to court to sue the *News of the World* for libel damages after it alleged that he had been involved in a variety of sexual shenanigans and had been unfaithful to his wife.

Despite sacking his lawyer and conducting the case himself, Sheridan won. He was awarded £200,000 by the court (the largest amount awarded in a case of this kind in Scotland) and the *News of the World* was branded as a lying rag.

What's the problem? As Sheridan himself has stated on many occasions, this represented a victory over the Murdoch Empire. It was a blow against a press mogul whose newspapers and television channels make millions churning out filth – anti-working class filth, sexist filth, racist filth and homophobic filth.

A defeat for it inflicted by such a prominent working class representative, and one who Murdoch's press had set out to destroy, was more than welcome.

Yet this victory led almost immediately to the split in the SSP. It prompted three SSP Members of the Scottish Parliament (MSP) to state: "This was a court case we didn't want to be involved in and one that Tommy Sheridan should never have initiated. Tommy has lied his way through this court case and we want no part in that." (Frances Curran, Rosie Kane and Carolyn Leckie MSPs – 04/07/06)

Sheridan's immediate response was to brand his former comrades-in-arms as "scabs" and "collaborators" for testifying in court against him. He quickly went on to describe the party that he helped found as a "colossal train wreck". He

announced his intention to form a new organisation, rather than campaign to win back the leadership of the SSP, and at a rally in Glasgow on 3 September he introduced "Solidarity: a new movement for socialism in Scotland" to the world.

Both the Socialist Worker Platform (SWP) and the Campaign for a Workers' International Platform (CWI – linked to the Socialist Party of England and Wales) have joined him. From the broader forces of the SSP he appears to have attracted support from the Highlands and Islands and from the Borders. But a majority of the SSP's membership has, for now, stuck with the party.

The United Left faction of the SSP, now in control of the organisation, has attacked Sheridan's decision to set up a new party. The SSP executive stated: "The creation and building of a unified Scottish Socialist Party represents an inspiring break with the petty division and conflict that has for generations weakened the left internationally. Tommy Sheridan and his supporters are guilty of an act of political irresponsibility which can only delight the enemies of socialism in Scotland ... This breakaway is not based on any political principle. It is a vehicle for the out of control ego of an individual and is based on the fiction that Tommy Sheridan has been the victim of a conspiratorial frame up by his own party."

### Little difference between organisations

Indeed, they have a point. There is absolutely nothing in the statements from Solidarity so far that indicates there are any real political differences with the SSP. The same broad, left reformist theme that had become the hallmark of the



# Britain / Scottish Socialist Party

SSP is there in Solidarity. "There are millions that we can win to the banner of social justice and equality," Sheridan told the rally. But he did not spell out that millions are needed to be won to the banner of socialist revolution, just as he didn't for his whole time as leader of the SSP.

There is a more emphatic declaration of the necessity of an independent Scotland in Solidarity than had been evident in the SSP under its post-Sheridan leader, Colin Fox. Sheridan and his MSP ally Rosemary Byrne have ostentatiously signed up to the all-class "Independence First" campaign. But then this campaign is also backed by the SSP and Fox is likely to rediscover his nationalist voice as the elections for the Holyrood parliament approach.

In other words, both parties remain committed to the

## Both parties remain committed to the flawed "Scottish Road to Socialism" strategy. Both eschew the vital need for unity of the British working class

flawed "Scottish Road to Socialism" strategy. Both eschew the vital need for unity of the British working class against the British state in the fight against our rulers. Instead they believe that a party elected to a Scottish parliament can introduce a series of left reformist measures that will supposedly contribute to the "break up" of this state and the ushering in of socialism, in Scotland first and later, if the "English left" choose the same path, south of the border.

This is nonsense given the integrated nature of the Scottish bourgeoisie and the Scottish nation with Britain. It actually undermines the fight for socialism by emphasising the fragmentation of the working class in the constituent nations of the UK.

The defeat of the hated poll tax under Thatcher is a good example, it was introduced into Scotland first, but it took a mighty united movement across the UK to defeat it, and fatally wound Thatcher at the same time.

Of course, real communists defend the absolute right of independence of Scotland and Wales from England if those people demand it. But we are not advocates of it, we argue against dividing the working class on nationalist lines. We certainly do not think that a nationalist break up of Britain is the road to a socialist transformation. But both sides in this split do.

Which brings us right back to the puzzled frown on the face of the proverbial casual observer – what on earth is this split really about?

### Power struggle

It is, essentially, an old-fashioned power struggle. It goes back to November 2004 when, according to the SSP leadership, Sheridan admitted to them that aspects of the *News of the World's* stories were true, but that he wanted to take the paper to court and defeat it.

The problem was that the bulk of the SSP leadership felt

that this was a high-risk strategy since, according to them, it would involve denying things that Sheridan had already admitted to. To put it bluntly they felt it would run the risk of them having to commit perjury.

For this reason they agreed that Sheridan should not go to court. Had this been their only decision, and had they taken the issue to the party membership and collectively agreed it as the way forward, the SSP leaders, like Alan McCombes, might have been on stronger ground.

But they didn't limit themselves to this. They got Sheridan to resign as party leader. It appears this was largely as a result of their fears about the impact of the *News of the World's* revelations on the Scottish voters.

This was a mistake of the first order, especially as the small Executive Committee took the decision and kept the minutes, and much of the reasoning, from the members.

The reason it was so mistaken is that it represented surrender to the *News of the World*. Murdoch, even before the stories had been published, had got the most well-known and charismatic representative of the SSP taken out of the frame "for family reasons". He had scored a victory against the SSP.

Was there an alternative to allowing this to happen? McCombes says that because Sheridan's only alternative was to sue – and allegedly lie – there wasn't.

But there was. It would have required an agreement from Sheridan not to go to court, since this would now jeopardise the party and unnecessarily put its leading members at risk. Instead they should have urged Sheridan to stay on as leader and wage a campaign within the working class movement, through sympathetic newspapers, in communities across the country to say – Tommy Sheridan's sex life is his business and no one else's, and in the context of the war in Iraq, the bombardment of Lebanon, the attacks on public services in this country, it is irrelevant.

### Road to destruction

This option appears not to have been considered. Sheridan exposed his real weakness – his vanity, his sense of self-importance, his enormous ego – by keeping open the option of a court case that he knew could destroy the party.

McCombes and the others opted for a strategy of keeping out of the courts, which was their right, but at the expense of refusing to openly confront any moral reaction in the Scottish public that may have arisen as a result of the revelations about Sheridan. Instead, the executive got him to resign and hoped the issue would go away. This was as big a mistake as Sheridan's was in eventually going to court.

What this represented politically was very important. It marked the SSP out as being a party that had fully succumbed to the pressures of parliamentarianism. It was evolving from an amorphous alliance of centrists (far leftists who swing between revolutionary and reformist politics) and reformists into a left reformist party that could only measure its success by its impact in elections.

It had been electorally successful in 2003 – scandal might threaten further success. Therefore, get rid of the source of scandal.

The fact that Sheridan himself voted for this course of action, according to SSP records, indicates that he too saw the issue in left parliamentarian terms. And this explains



why the split has been so vicious. Both sides saw their "gains" as being under threat. McCombes saw the threat as coming from Sheridan as the centre of a scandal, while Sheridan saw himself being removed from power in the organisation that he had played such a leading role in building up. Like rival social democratic factions they were fighting over the spoils that had been won at the table of bourgeois democracy.

This is not an extrapolation by an "English left" group, comfortable in not having to confront the dilemmas that both sides of the SSP faced. It is also the analysis of the party's former Drugs Spokesperson, Kevin Williamson, who saw fault with both wings and, in the crisis, resigned, refusing to align himself with either side.

In his resignation letter he wrote: "The SSP has become increasingly marginalised in recent years. It has built little roots in local communities and has only a passive electoral support outside its ranks. There is little direct communication taking place between the party and its supporters. Instead, the SSP has used its Parliamentary group to try and reach this support through the pages and stations of what is in effect a hostile media..."

"... In many ways the election of the six MSPs in 2003 marked the beginning of a sharp decline of the SSP as a grass-roots campaigning organisation. The finances that these MSPs provided were used to create jobs in the centre of the party rather than for localised campaigning initiatives. That these jobs were not rotated regularly through fixed lengths of tenure meant that an entrenched centralised bureaucracy developed and the party stagnated as a result. The resulting cliquishness in the centre of the party was viewed by many as a separation between the grassroots and those now in the centre."

These are telling remarks from a hitherto loyal and energetic campaigner for the SSP. They reveal the extent to which the party was becoming removed from rank and file, working class pressure. It shows how the parliamentary arena and the national media were becoming the focus of the party not building grass roots working class struggles and organisation.

The crunch came when Sheridan opted to go to court. He combined his appearance in the witness stand with an open letter, leaked to the press, denouncing the leadership of the SSP as a "cabal" out to destroy him. He launched his court case and his new bid for power in the SSP at the same time, in May of this year.

As a result of his action – and he must have known this in advance – not only was McCombes briefly jailed for attempting to keep the issue out of the courts but other SSP members were summoned to the witness stand and faced the dilemma of either having, according to them, to lie on Sheridan's behalf and commit perjury or tell the truth and appear to side with the Murdoch press.

In other words the court case itself was a means of attacking the existing SSP leadership by Sheridan. Why did he do this?

His premature retirement from leadership obviously gave him time to think over a strategy for reclaiming his place as the leader of Scottish socialism and deciding how best to implement it. It also, very probably, led to a series of discussions with factions in the party, notably the SW and CWI platforms, and with George Galloway of Respect, in which

a decision was made to launch a new organisation if the trial ended in victory.

## The cult of personality

The SWP's decision to align itself with Sheridan is no surprise. Programme and principles play no part in this organisation's calculations – although there was a rather futile attempt by *Socialist Worker* (12/8/06) to suggest that Sheridan's dispute was with those who were against working with "wider forces", Respect of course being the only model.

Rather, they seek to build movements they can bureaucratically control in the hope of reaping membership rewards in the future. And to do this they believe that figureheads are decisive. In *Socialist Worker* they claim that all movements have charismatic individuals at their head at the outset and that such individuals can be used to build those movements more effectively, claiming that at some point the masses will find their feet and assume their rightful place.

This is bunkum. For some years – probably dating back to the late 1970s and the first Anti-Nazi League, the SWP has bought into the cult of celebrity. They just love the idea of hob-nobbing with well-known names in the hope that some of the fame will rub off on them and they will break out of small group politics. In the Socialist Alliance in 2001 there used to be huge rows with the SWP because they wanted every platform dominated by "big names" while many of the rest of us wanted to hear the voice of workers engaged in the hum-drum business of waging the class struggle.

Socialism from below? More like Socialist Love Island. So, their decision to go with Sheridan is shaped by their belief that "Tommy" will bring with him the masses – and even better if he is beholden to them, the SWP leadership.

## The parliamentary arena and the national media were becoming the focus of the party not building grass roots working class struggles and organisation

The CWI are less prone to the socialist celebrity caucus, but they are bitter foes of the McCombes wing of the SSP. While Sheridan was tied in with the old "renegades" from the Socialist Party who went on to form and lead the SSP, the CWI were ready to denounce him as a Cuba-loving reformist who had forgotten the Marxism they had originally taught him. However, separated from his old allies the CWI obviously believe they have a greater chance of influencing him – and allying with him against the SWP – than they do of influencing what's left of the SSP.

In other words, in both cases the narrow concerns of their own organisations, rather than the needs of the Scottish working class, drive these groups – the real meaning of sectarianism.

For the Sheridan/SWP/CWI axis the split in the SSP was the only way forward. For a start the circumstances would be perfect – a "victory for socialism" over Murdoch, a tidy sum



# Britain / Scottish Socialist Party

of money, enormous publicity and former rivals discredited by appearing to have sided with the *News of the World* because they gave their version of what had happened. And, on top of this, with the SWP on board, and the potential for a combined push alongside Respect in the elections, a short term lack of members would be no obstacle.

Having made these calculations Sheridan first launched a civil war in the SSP, then turned the court case into a media circus and finally carried through the split with such efficiency that *Blue Peter*'s refrain of "and here's one I made earlier" immediately springs to mind.

**As to his motives, they are simple – anyone who has met Sheridan will tell you that he is a man devoted to himself. He is obsessed with his own image**

As to his motives, they are simple – anyone who has met Sheridan (and several of us here at PR have on many occasions) will tell you that he is a man devoted to himself. He is obsessed with his own image, his own sense of destiny. He has an ego that could fill Celtic Park all on its own.

He was never going to allow his underlings – like McCombes – steal the glory of having achieved "the biggest breakthrough for socialists since the 1920s" from him. It was "Tommy's" glory. After all, who other than someone so self-obsessed would allow their mother to serenade them with a song at a launch rally – "Dream the Impossible Dream"? We kid you not.

And the current SSP leaders might now be distancing themselves from this cult of personality but they were all in favour of it in the past because they saw Tommy as their greatest "electoral asset".

It remains to be seen whether or not this particular power struggle will result in the mutual ruin of the contending forces. But it is important that socialists draw conclusions from this sorry tale. There are of course the issues we need to debate further, such as our insistence on the need for a British revolutionary party, as part of a revolutionary international, as against separate Scottish, English and Welsh organisations fighting for "independence first". But even before that there is the question of what type of party the working class needs. This is especially important given that the choice in Scotland is between two parties united in politics but divided by personality.

## Supposed strengths of the SSP

On this it is worth referring back to the points made by none other than Tommy Sheridan and his then seemingly united band of pro-SSP supporters. On countless occasions the "English Left" were lectured by their counterparts in Scotland for failing to get their act together.

During the Socialist Alliance's brief glory days, and at many left events thereafter, the SSP has been cited as the model to follow. It was the future and we "sectarians" were

too embedded in the past. Embrace the SSP model, we were told, both by its best-known emissary, Tommy Sheridan, and by a variety of factions and individuals within the Socialist Alliance and beyond it.

The reasons for this elevation of the SSP into the new model party were always the same. Tommy Sheridan, at a meeting of the Liverpool Dockers' initiative for a new workers' party, in the spring of 2004 listed them. They are easy to remember because they formed the core of most of his speeches to "English left" audiences.

First, the SSP had left behind the old dogmas of the left. In place of ideological argument on obscure matters of theory resulting in internecine factionalism, the SSP prioritised bread and butter issues that mattered to the masses.

The campaign for free and nutritious school meals was Sheridan's favourite example. No one could disagree with the need for it. Many people actively supported it. It had strong publicity appeal. Hey presto, a bread and butter issue – in this case literally – was the answer to breaking out of the isolation the left has suffered for so long.

Second, said Sheridan, was the recognition by the SSP that what united the left was considerably greater than the issues that divided it. We all agreed on 80% of the programme. Come together on that, said Sheridan, and the other 20% could be put in the programmatic equivalent of left luggage.

You would keep a little ticket, proving that you held firm to your own ideas, but for the most part you would muck in with everyone else over the things you all agreed on.

Third, the SSP was not a discussion club. It was a campaigning party. And by campaigning together, perhaps with former political foes, you would find that the old rivalries faded away. Newer, bigger and more important goals could be achieved by the campaigning efforts of a unified party, a single voice for socialism in Scotland. That would be, Sheridan insisted, a thousand times more attractive than the competing campaigns of different sects.

Finally, we were told, genuine internal party democracy, with full rights to form groupings and platforms and full rights to debate was vital to ensure that unity the members were able to decide who they agreed with. These rights could be exercised by anyone at the democratic gatherings of the party, its branches, regional organisations, leadership bodies and conferences. And these rights were a recipe for the maintenance of the unity of the party well into the 21st century.

## Were they right?

People listened, and quite a few were persuaded, because at the time Tommy Sheridan was speaking on the back of a major period of success for the SSP. It won a sizeable share of the vote in the elections to the Scottish parliament in 2003 and had six MSPs ruffling the feathers of the bosses in Scotland and beyond. And nothing convinces like success. It's why people believed Tommy Sheridan's recipe for party building was the answer.

But now the SSP is split and the cause of socialist unity irreparably damaged in Scotland. Whether or not two sects, competing against both Labour and the SNP – the one a bigger reformist option, the other a bigger nationalist option – can continue to make the sort of gains the SSP did in 2003 is unlikely. The project is now in ruins.



We draw no pleasure from this. But we are trying to draw some lessons. And the key lesson is that the recipe for party building was wrong. It didn't work. The campaigns around the basic bread and butter issues (reformist demands) have not led to a qualitative transformation of life for Scotland's masses. Nor could they outside of the campaign for the destruction of capitalism, with each reform being explained as, and used as, a stepping stone to working class struggle against the system itself.

Only a revolutionary socialist party will fight for reforms in this way, linking them to a final goal not substituting them for that goal.

The agreement not to disagree over the "20%" was also fundamentally flawed – of course the 20% involved the key question of whether the party was committed to reform or revolution.

And once you leave the question of fighting for revolution aside and the strategy that goes with it, you are conceding the party activity to the reformists – and are on the road to becoming a parliamentary focused left reformist party. This is exactly what happened to the SSP.

It also opened the door to an apolitical faction fight that benefited no-one. Parties have to be based on clear programmes – not an agreement to disagree. Otherwise, what defines them? Tommy Sheridan's television pronouncements? In the SSP the agreement not to disagree was far more harmful than the fight for a clear programme and strategy that a party could unite around.

It has in fact destroyed the SSP. Unity in action against the class enemy is decisive. But so too is clarity for a party. Otherwise what is the difference between a party and a movement, a party and a united front, a party and a campaign? The whole point of parties is that they exist in order to rep-

resent a definite viewpoint of a definite class.

As for a party being a campaigning party, this is simply a truism. Any party that does not campaign will not last long. But the issue is really, what sort of campaigning party? The SSP was a top down, parliamentary fraction led party, and it was evolving rapidly into a classic left social democratic organisation.

Campaigns can be waged by far more than just a party. Indeed to be successful campaigns need to involve party and non-party people on a mass scale.

Finally, the creation of left unity on the basis of a democracy that recognises platforms is all well and good. But unless the democracy proceeds from a certain level of programmatic unity in the first place, rather than an agreement not to disagree, then a serious test can easily blow the unity apart.

That is what happened with the SSP and the much praised unity and democracy proved to be little use as the factions denounced each other as scabs and splitters. In a nutshell, there is no substitution for a revolutionary party, united around a programme, governed by democracy and protected from the pressures of parliamentarianism by members who control their leaders and can remove them – including their parliamentary representatives.

The former and current SSP members now need to draw up a balance sheet. There certainly won't be any learning of lessons in Solidarity. Yet for the future of real socialism in Scotland, revolutionary socialism, these lessons not only have to be learnt but used to establish a new, revolutionary party across Britain. In this project the militancy and fighting traditions of the Scottish workers will be a vital component.



*"There are times when development in all areas of the capitalist economy . . . has matured to the point where an extraordinary expansion of the world market must occur . . . At this point capital begins to enter upon a period of tempestuous advance." The words of the Russian Marxist,*

## Introduction

WORLD CAPITALISM started the new millennium with a bang rather than whimper; in March 2000 the bursting of the "dot com" bubble occurred and global stock markets fell sharply, ushering in a recession in the USA.<sup>1</sup>

But the ensuing downturn was fairly brief and outside the USA quite mild. Indeed, many parts of the world were left undisturbed; some even grew more sharply than before. By 2003 the USA had resumed the path of strong growth. During the last four years world capitalism has been motoring along in fifth gear.

Globally, capitalism grew an average of 4.1% pa in the years 2000-2004 (i.e. two years each of downturn and upturn in the business cycle). This is 1.5% above the 1990s average. Global growth in 2004 at 5.1% was the highest since the 1980s. Last year growth exceeded 4%.<sup>2</sup>

The trend in output per person – a significant measure of productivity improvements – has also been reversed from its 1980s and early 1990s trajectory.

**Table: Global output per person**

Per capita GDP	1980s	1990s	2001-06
World	1.3	1.2	1.5
High Income countries	2.5	1.8	1.6
Developing countries	0.7	1.5	3.7

Source: World Bank, "Prospects for the Global Economy", 2005

In short, this table shows the continued decline in per capita output within the "mature" (that is, ageing) imperi-

alist nations has been more than offset by the dynamism of growth in the former workers' states and large semi-colonies. This has happened because the latter have torn down their barriers to foreign trade and investment, and so exposed billions among their youthful populations to exploitation.

The strength of global economic growth in last few years demands the closest attention. Why have output, trade, profits and productivity sharply improved compared to crisis years in the 1970s and 1980s – and this despite well-publicised failures such as the collapse of the World Trade Organisation's Dohar round?

Many commentators on left and right have observed that over the last 15 years or so world capitalism has been notable for significantly improved economic indicators. In particular, everyone agrees that economic activity across the whole world has become more integrated, a feature generally described as "globalisation".<sup>3</sup>

Some economists have gone beyond registering this recent growth and have sought to locate it within the history of capitalist expansion and decline over the last hundred years or so. For example, the Economist Intelligence Unit (EIU) notes that:

"Historians have observed some uncanny parallels between the world today and the world on the eve of the first world war at the end of the golden first age of globalisation that lasted from 1870 to 1914. That era was marked by a high degree of international mobility of goods, capital and labour and the dominance of a free-trade orthodoxy that was periodically challenged by protectionist sentiment. There was relatively free trade, hardly any limits on capital movements and freer immigration than today."<sup>4</sup>

This identification of long periods of upswing in the world economy is not a new one. Eighty years ago the Russian econo-

# Capitalism's



*Parvus in 1901, written during the first wave of globalisation a hundred years ago, has striking resonance for us today. Bill Jeffries examines the trends in trade, profits, productivity and investment since the end of the Cold War to draw parallels with the two decades before the First World War*

mist Kondratieff, suggested it was possible to discern fifty year mega-cycles (25 years up – 25 years down) based on price movements. Leon Trotsky, while accepting the idea of long upward and downward phases in the world economy, rejected the schematic certainty of Kondratieff's model, with an automatic transition from downward to upward long waves.

Trotsky rather noted that it was the interrelationship between the economy and the superstructure which determined whether or not the capitalist economy could restore the conditions for expanded accumulation:

"Major historical events – economic crises, revolutions, and so on – will determine whether we observe stagnation, booms or regressions in such periods."<sup>5</sup>

As there is nothing pre-determined about the outcome of revolutions, counter-revolutions or wars, there is nothing automatic about the transition between the upward or downward phases in the long wave. But without major socio-economic shocks world capitalism cannot be pulled out of a long downward phase and onto the path of a sustained upward phase.<sup>6</sup>

It is now more than 15 years since the end of the Cold War and the start of new wave of globalisation, more than enough time to ask whether, since then, capitalism has been in throes of a upward "long wave" in the manner described by Trotsky.

## **End of the Cold War**

By 1990 neo-liberal governments in the OECD had imposed far-reaching defeats on the working class. In the USA Reagan's anti-union offensive in the early 1980s induced a sharp increase in rates of productivity. The value of wages

as a proportion of GDP fell from a peak of around 68% of GDP to 64%. In the UK, Thatcher achieved similar results, with the key defeat suffered by the miners in 1984-85.

These attacks have enabled the capitalists to significantly restore the conditions for profitable accumulation, by reducing the value of wages, if not their actual level, increasing productivity via speed-ups and the intensification of labour and privatisating whole swathes of what was formerly the public sector.

But the scale of the crisis facing world imperialism was so major in the 1970s and 1980s, the decline in profit rates so marked and sustained, that together this would not have been enough to guarantee a new upswing in the world economy. For that something far more wide reaching and significant was required.

It was the victory of capitalism in the cold war, the restoration of capitalism across the former degenerate workers' states after 1990, which propelled capitalism onto a new wave of globalisation.

The restoration of capitalism in these states has doubled the size of the world working class, and generated huge increases in trade and foreign investment. Profit rates have rebounded. Now nearly 15 years after the seeds were sown, world imperialism is reaping the fruits of its victory in the Cold War.

Trotsky writing in the mid-1920s had anticipated just such an eventuality:

"Theoretically, to be sure, even a new chapter of a general capitalist progress in the most powerful, ruling and leading countries is not excluded. But for this capitalism would first have to overcome enormous barriers of a class as well as of an inter-state character. It would have to strangle the proletarian revolution for a long time, it would have to enslave China

# long upturn



# International / Globalisation

completely, overthrow the Soviet republics and so forth.”<sup>7</sup>

While Trotsky envisaged that capitalism would be restored in Russia and China by invasion and violent overthrow, rather than being the work primarily of the Stalinist bureaucracy, Trotsky's “theoretical” possibility was realised.<sup>8</sup>

## New long wave after 1992

The defeats imposed on workers in the metropolitan imperialist countries, the overthrow of the planned economies and the integration of these states into global capitalism, sparked a revival in investment on the back of enhanced productivity. In turn this has seen profits rebound to a level sufficient to justify the idea that the phase from the early 1990s is marked out as a distinct upward phase of capitalism, announcing a sharp rupture with the 20 or so years before.

Through the course of the 1970s and 1980s neo-liberal governments defeated the working class movement in key strategic centres, most notably the US and UK. This enabled the capitalists to squeeze more profits out of the workforce by making workers toil harder within any given working day and by reducing wages.<sup>9</sup> But they also produced more from existing effort, by changing working patterns and introducing new methods of production.<sup>10</sup>

Productivity has shown a marked recovery in the USA since the low point of the 1980s. As Brenner notes: “between 1993 and 1999, the rate of growth of manufacturing labour productivity was more than 50 per cent greater than that during the expansion 1982-90”<sup>11</sup>

Brenner has noted that during the 1990s the US “did secure a significant increase in economic dynamism – reflecting substantial technical advance and organisational improvement – in comparison to that which it had evinced during the two decades after 1973. This was expressed in the major, interrelated accelerations in the rate of investment and productivity growth in the non-farm economy that began around 1993 and were sustained into the middle of 2000.”<sup>12</sup>

Business investment expanded by 17% pa then compared to 14.6% in 1980s expansion phase and 13.4% in 1960s expansion phase.

This increase in productivity is not limited to the USA however, but is to be found across the major imperialist nations although weaker in the core of the EU.

### Output per hour in manufacturing

	USA	Japan	France	Germany	UK
1960s	3.09	11.07	7.18	6.61	3.97
1970s	2.83	6.47	4.96	4.54	2.67
1980s	2.98	3.54	4.36	1.91	4.25
1990s	4.03	3.71	4.44	3.26	2.69
2000-04	6.38	5.5	3.48	3.88	4.3

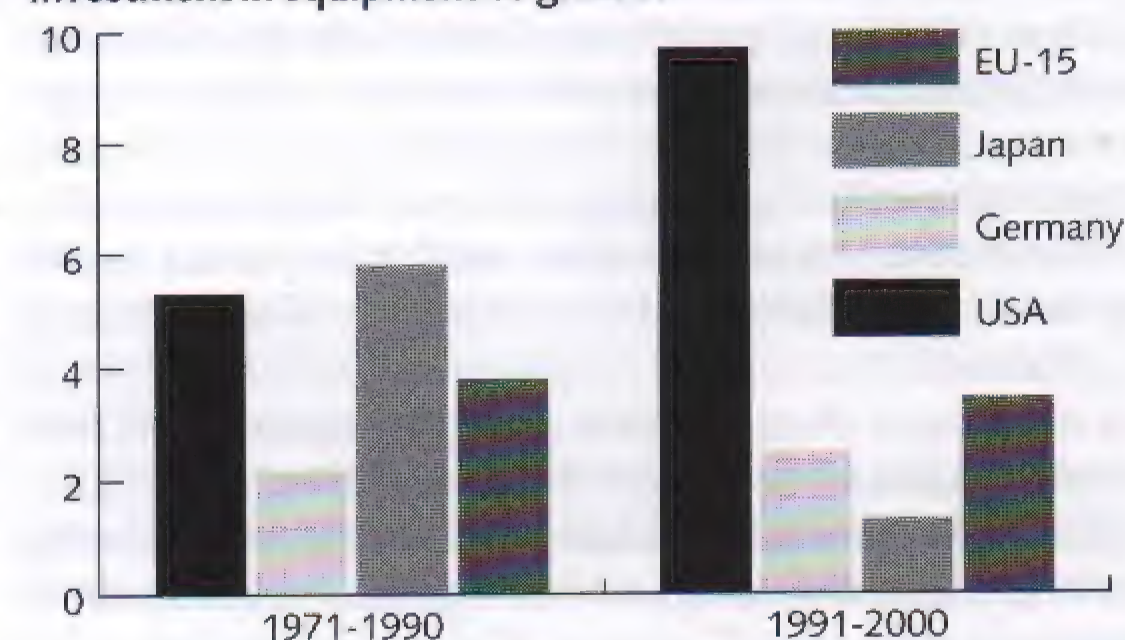
Source: U.S. Department of Labor, Bureau of Labor Statistics, February 2006

In those states where the imperialists failed to decisively confront and defeat their workers movements, predominantly in Japan but also in the core of the old EU, i.e. France, Germany and Italy, where the capitalists have adopted a far more incremental introduction of the neo-liberal revolution than in either the USA or UK, the capitalists have generally failed to match the gains in productivity of the USA.

France is a partial exception here since the imposition of a shorter working week and higher minimum wage has led to a bout of labour-replacing capital investment which has seen significant improvements in productivity, even if at the cost of high unemployment levels. Rising investment in general is the key to rising productivity and Brenner has stated with regard to the USA that “it only seems reasonable to view this incontestable improvement in productiveness ... as stemming from the doubling of the rate of growth of the capital stock in the same period [i.e. 1990s] compared to 1982-90.”

The USA was the best placed of all the imperialist powers to take advantage of the IT revolution; the rate of US investment in equipment doubled when compared with the stagnant phase of the world economy in the 1970s and 1980s and this explosion of investment understates the revolutionising effect of this technology on the productive base as the price of equipment got lower during the 1990s, in contrast to the inflation of the 1970s and 1980s and the quality markedly improved; even in the EU rates of investment held up, only in Japan did the rate of growth decline.

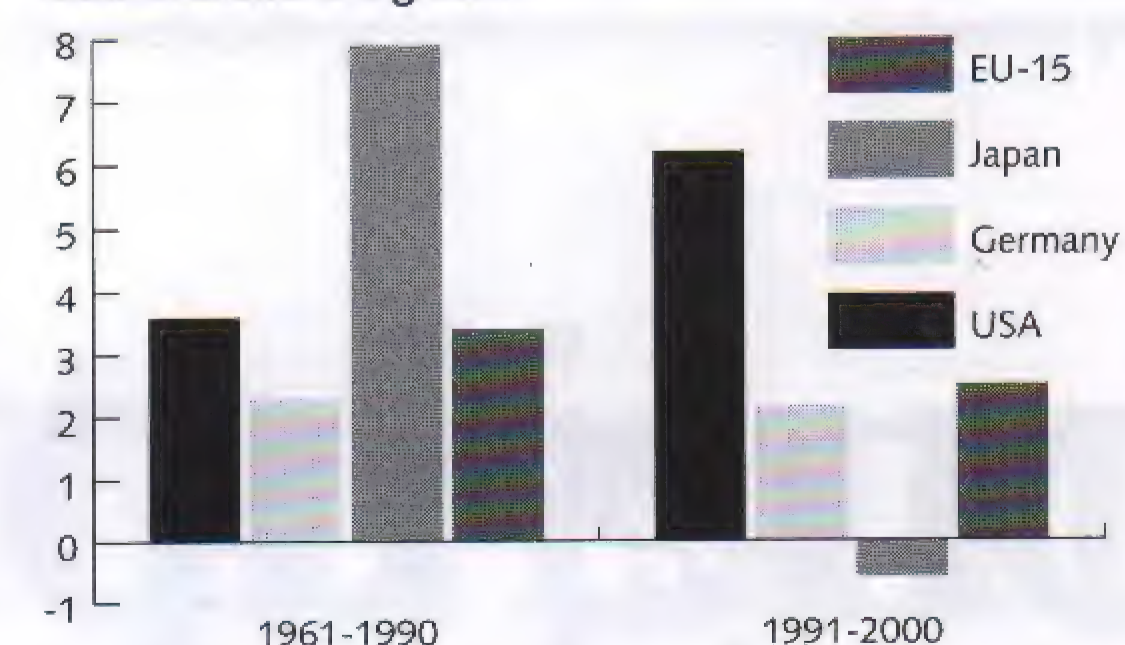
Investment in equipment % growth



Source: European Commission, Economic Forecasts 2006

The contrast between the USA and Europe and Japan is even clearer in growth rates for total investment.

Total investment % growth



Source: European Commission, Economic Forecasts 2006



The USA sees a marked increase, Germany marginally declines, the EU-15 as a whole falls more sharply and Japan collapses, as it uses the 1990s to restructure its industry during a prolonged period of stagnation. This decline should not be confused with a stagnation of manufacturing as a whole, or with a fall in productivity. The growth of investment in the USA, which accounts for around 30% of world output

by value, more than offsets the declines in both Japan and the EU-15, especially when combined with the surge of FDI into the transition economies and emerging nations during the 1990s.

But Deutsche Bank recently pointed to one reason why net investment has not been stronger than it has in the last period:

## LONG WAVES THEORY

# Mandel on the conditions for a new long upturn

IN THE mid-1960s Ernest Mandel predicted that the "long boom" after World War Two would come to an end by that decade. He argued that the tendency of the rate to profit to fall would predominate and overcome the factors that had given rise to the post-war expansion. He based his predictions on long wave theory, which suggests that there are "segments of the overall history of capitalism with definitely distinguishable features".<sup>1</sup>

These "segments" are not statistical averages of any fifty year period that one happens to randomly choose, but correspond to real historical periods (wars, revolutions and counter-revolutions, new discoveries). But nevertheless, the movement of prices, interest rates and so on will show a definite and different marked trend in each of the phases. Crucially, where non-Marxists seek to explain the driving force behind these trends in such factors as the effect of "bunched innovations" (Schumpeter) or long term infrastructural capital investments (Kondratiev), for a Marxist long wave theory has to be a rate of profit theory. So for Mandel "the essential movements, those that determine the basic trends in the system, remain the fluctuations in the average rate of productive capital accumulation."<sup>2</sup>

Mandel sought to improve Kondratiev's theory by taking on board Trotsky's criticisms of the "stylised" nature of the former's "long cycles" and drew a distinction between the causes giving rise to a downward phase of the long wave and those that lay behind a new upward

expansionary phase. To explain the downturn phase one should look to essentially "endogenous" or internal factors; that is, the rising organic composition of capital ensures the Tendency of the Rate of Profit to Fall (TRPF) impacts more and more on the accumulation process and the counter-veiling tendencies have less and less effect.

But a long expansionary phase cannot come about "automatically" from purely internal movements of capital, but rather it needs a system shock from major socio-economic events to restore the global conditions of profitable accumulation. Mandel refers to the effects of the 1848 revolutions in Europe in creating the basis for massively expanded internal markets in rising bourgeois nation states. Similarly, breakthroughs in transport prepared the 1890s boom. The massive defeats inflicted upon the global working class in the 1930s and 1940s through counter-revolution and world war was the major socio-economic pre-condition for the long post-war boom.

As a result of this distinction the longevity of the downward, depressionary phase of the long wave cannot be predicted with any certainty. Hence Mandel avoids the charge of adopting Kondratiev's theory of cycles in which the periodicity of both parts of the long wave can be predicted in advance.

The "exogenous" factors combine to create an expansive long wave, "periods in which the forces counter-acting the tendency of the average rate of profit to decline operate in a strong and synchronised way."<sup>3</sup>

Mandel expands on how these counter-veiling tendencies work:

"a sharp increase in the rate of surplus value, a sharp slowdown in the rate of increase of the organic composition of capital, sudden quickening in the turnover of capital, or a combination of all or several of these factors can explain a sudden upturn in the average rate of profit. In addition Marx indicated that among forces dampening the effects of the tendency of the rate of profit to decline are an increase in the mass of surplus value and a flow of capital into countries (and we should add sectors) where the average organic composition of capital is significantly lower than in the basic industrial branches of the industrialised capitalist countries."<sup>4</sup>

A sustained increase in the rate of profit eventually attracts reserves of money capital which is productively accumulated and which in turn keeps the average rate of growth above that for the cycles in the previous depressionary phase.

A long expansionary phase does not in the first instance mean a return to the rates of GDP or capital stock growth that was experienced in the 1951-70 period. Indeed, the per capita GDP figures marking out an expansionary phase from the preceding period are not that dramatic except in the case of the 1920-70 wave. Certainly a surge in international trade and foreign investment is more marked. But above all it is a restoration of the rate of profit that needs to be seen; Mandel at one point suggests an increase of 50% over the average for the preceding period should be observable.

## ENDNOTES

1. E. Mandel, *Long Waves of Capitalist Development*, Cambridge, 1980
2. Ibid, p8
3. Ibid, p12
4. Ibid, p11



"Capacity utilisation in the G3 economies has recovered strongly since 2004 but is still just at its historic average as global demand for goods is increasingly satisfied by new capacities set up in the emerging markets. This is one reason why investment spending in the G3 economies has been rather muted despite surging corporate profits. Analysis of the corporate balance sheets of US and UK companies shows that non financial corporations are using parts of their profits to increase their investments abroad rather than financing investment at home."<sup>13</sup>

The shift of manufacturing production to the transition economies of the former workers' states – in particular China where manufacturing productivity has increased on average by 9.4% a year between 1981-2000<sup>14</sup> accelerating during the 1990s to 17% per annum between 1995 and 2002<sup>15</sup> – helped offset the marginal decline in the EU and Japan.

China almost tripled its productivity between 1993-2002, as the privatisation of state assets and demolishing of the "iron rice bowl", the welfare state and growth of foreign export oriented manufacturers, meant that the technologi-

cal and productive base of the economy was transformed.

This generalised reduction in the socially necessary labour time embodied in manufactured commodities has led to a marked deflation in the prices of these commodities over the last 15 years.<sup>16</sup>

The growth in productivity is so strong, that in spite of an increase in the cost of raw materials in the late 1990s the price of manufactures has continued to decline by on average -3% p.a. between 2001-2004, with a particularly large fall in manufactured goods originating from the developing world.<sup>17</sup>

The prices of manufactured goods imported into the US fell by 12% between 1995 and 2003, while for developed countries as a whole they fell 2%.<sup>18</sup>

These increases in productivity and the ability of the imperialists to restrict the real value of wage rises, has meant there has been a sharp decline in the unit labour costs of manufacturing through the 1990s across most of the major imperialist powers.<sup>19</sup>

## WORLD TRADE

# The globe got smaller

WORLD TRADE is now expanding faster than during the 1970s, a period which included the tail end of the long boom. This expansion is sweeping whole new populations into the scope of the world economy.

### World trade annual % growth

1970s	6.6
1980s	4.5
1990s	6.5
2000-06	6.7

### Annual average % growth in world trade

1974-92	4.8
1993-06	6.9

Source: IMF WEO Spring 2006

The expansion of trade is not simply in the sale of finished goods, but the creation of whole new manufacturing processes – a new international division of labour; commodities are no longer produced in single vertically integrated plants, but in both horizontally and vertically separate plants across national boundaries. This allows multinationals to achieve greater economies of scale and enhanced levels of productivity. In addition,

this openness has depressed wage growth in the OECD by creating a genuinely international labour market in many sectors, and has allowed these same firms to earn more super profits than before, and repatriate more easily, from foreign subsidiaries.

But the destruction of the Stalinist states also removed a powerful prop for major countries of the global south to lean upon, in order to resist the pressures of the USA for greater openness.

This reshaping of the world geopolitical settlement resulted in the opening up of countries like India and Brazil to the greater exploitation of imperialism. As UNCTAD explained:

"The expansion of international production has been facilitated by virtually all countries through changes in their regulatory environments. Over the period 1991-1999, 94 per cent of the 1,035 changes worldwide in the laws governing foreign direct investment (FDI) created a more favourable framework for FDI. Complementing the more welcoming national FDI regimes, the number of bilateral investment treaties – concluded increasingly also between

developing countries – has risen from 181 at the end of 1980 to 1,856 at the end of 1999."<sup>1</sup>

The opening up of these formerly relatively closed economies enabled a genuinely integrated global production system to develop. The level of trade at every point of the production process and in final sales has exploded. UNCTAD again:

"Evidence on the expansion of international production over the past two decades abounds. Gross product associated with international production and foreign affiliate sales worldwide, two measures of international production, increased faster than global GDP and global exports, respectively. Sales of foreign affiliates worldwide (\$14 trillion in 1999, \$3 trillion in 1980) are now nearly twice as high as global exports, and the gross product associated with international production is about one-tenth of global GDP, compared with one-twentieth in 1982."<sup>2</sup>

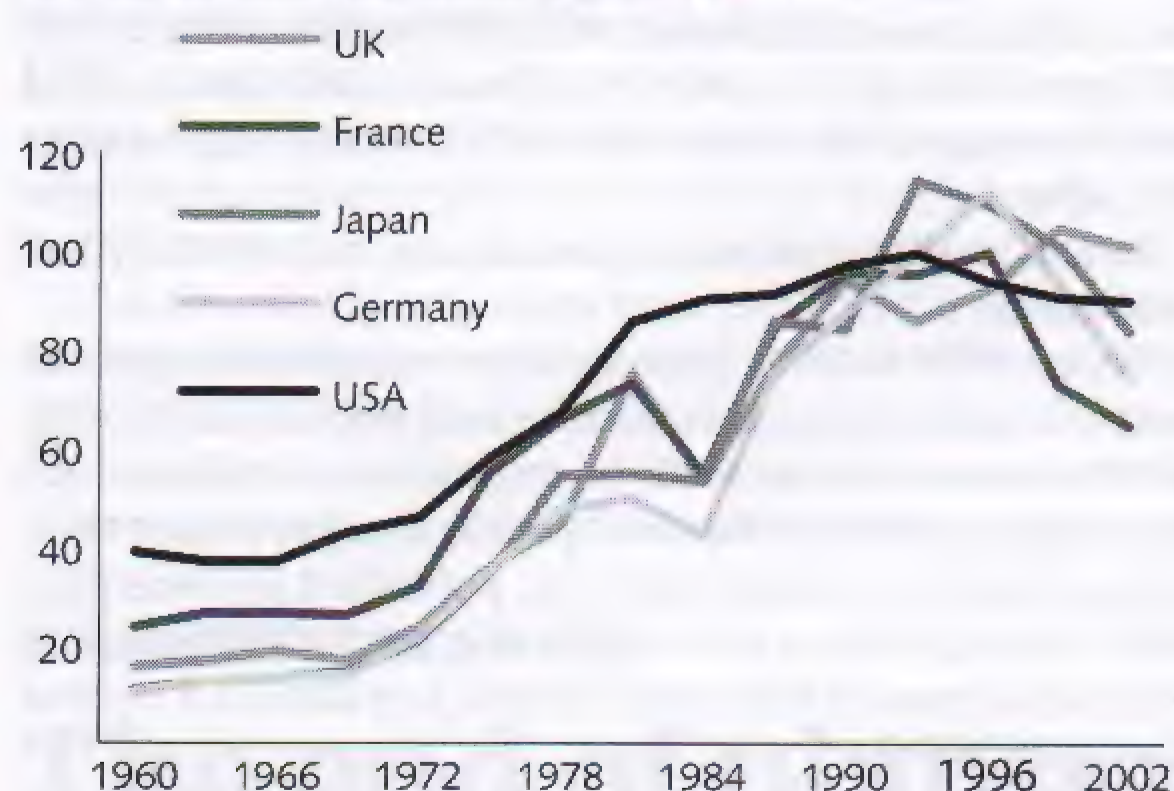
## ENDNOTES

1. UNCTAD "World Investment Report 2000 Overview"

2. Ibid. The expansion of trade has been enhanced by the new patterns of investment, since one third or more of such commerce is between branches of the same multinationals, proof of Lenin's statement in 1916 that "the export of capital thus becomes a means of encouraging the export of commodities."



Unit labour costs manufacturing (1992 = 100)



Source: U.S. Department of Labor, Bureau of Labor Statistics, February 2006

## Rebound in profits

Capitalism produces for profit and the tendency for the rate of profit to fall was for Marx, "the most important law of political economy."<sup>20</sup> If profit rates are falling then capitalist production will contract as capital is unable to find investments necessary to yield the average rate of profit; conversely if the rate of profit is rising then capitalist production will expand. As Ernest Mandel has noted:

"Expansive long waves are periods in which the forces counteracting the tendency of the average rate of profit to decline operate in a strong and synchronized way. Depressive long waves are periods in which the forces counteracting the tendency of the average rate of profit to decline are fewer, weaker and decisively less synchronized."<sup>21</sup>

This can be seen in the following graph.

US rate of profit



Source: Bureau of Economic Analysis Sept 2006

In the world's largest economy, the USA, profits, productivity, and output in 1993-2000 returned to within a whisker of the "golden years" performance in the long boom of the 1960s. The trend in average US corporate profit rates is incontestably upwards; in June 2006 it reached its highest level since 1967 Q1 after 10 consecutive quarters of double digit profit growth – the longest sustained increase since 1950. Between 1970-1989 US profits grew from \$83.6 billion to \$426 billion an average of \$17 billion p.a.

Between 1990-2005 US profits grew from \$437 billion to \$1476 billion an average of \$65 billion per annum.<sup>22</sup>

US profits as a proportion of GDP are the highest for 40 years and on a sharp upward trend and this pattern is repeated across the world. Across the G7 nations (the seven richest imperialists in the world) there has been a growth in the mass and rate of profit, with a steadily rising trend beginning in 1980, from a trough of just around 10% of GDP to around 14% of GDP today.

This trend has seen the bottom of each cycle end at a higher level than the preceding one. Such a sustained rise cannot be attributed to the effects of one-off boosts, like tax cuts or the rise in energy prices; it can only be as a result of the effect of fundamental changes in the base of the economy – the exploitation of a larger, cheaper and more productive global working class.

The mid-20th century global capitalist boom was based upon the defeats the working class suffered in the 1930s, the USA's systematic looting of the allies through lend lease at the outset of the war and the destruction of out-of-date capital in major capitalist centres. The USA's hegemony as an economic and political power was also essential to guarantee managed but rising international trade.

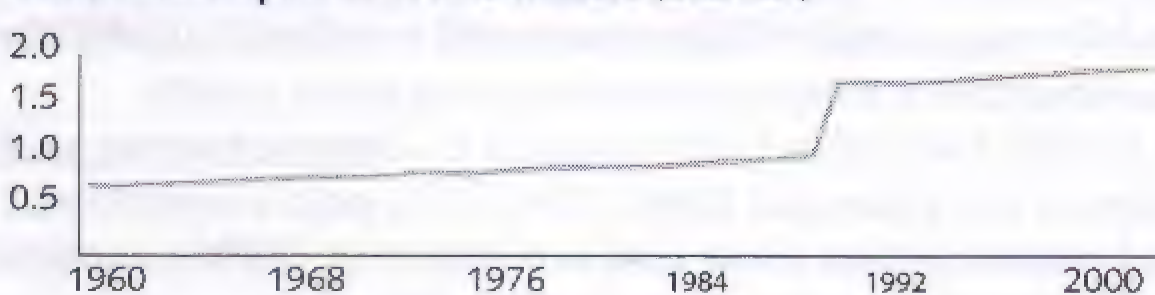
To achieve a similar recovery of the world economy the capitalists needed to inflict a similar level of defeats on the working class.

Only a defeat of a similar magnitude worldwide could restore profit rates to a level to ensure a new upward long wave. While the defeats imposed on workers in the USA and Europe have not been on the scale of the 1930s, the defeats pushed through after 1989 in the ex-USSR and central Europe have resulted in similar outcomes.

The atomised working class of the transition economies were unable to resist the savage reduction in living standards resulting from the restoration of capitalism. The working classes of these states, previously excluded from the circuit of capital reproduction, could now be freely exploited and at very low levels of pay and conditions – as much of the cost of the reproduction of labour power, education, housing, sewerage systems etc. has already been met by the planned economy and because the restoration process itself further reduced wage rates.

And the workforce has not only become cheaper but also larger. A recent OECD summary of the world economy noted that the size of the world workforce, which could potentially be exploited by capitalism, grew from 1 billion in 1970, to 2.5 billion in 1990. The industrial workforce more than doubled from 234 million to 439 million and services rose from 272 million to 758 million. This raised the total number of hours worked in the capitalist mode of production by around 74%.

World total capitalist hours worked (billions)



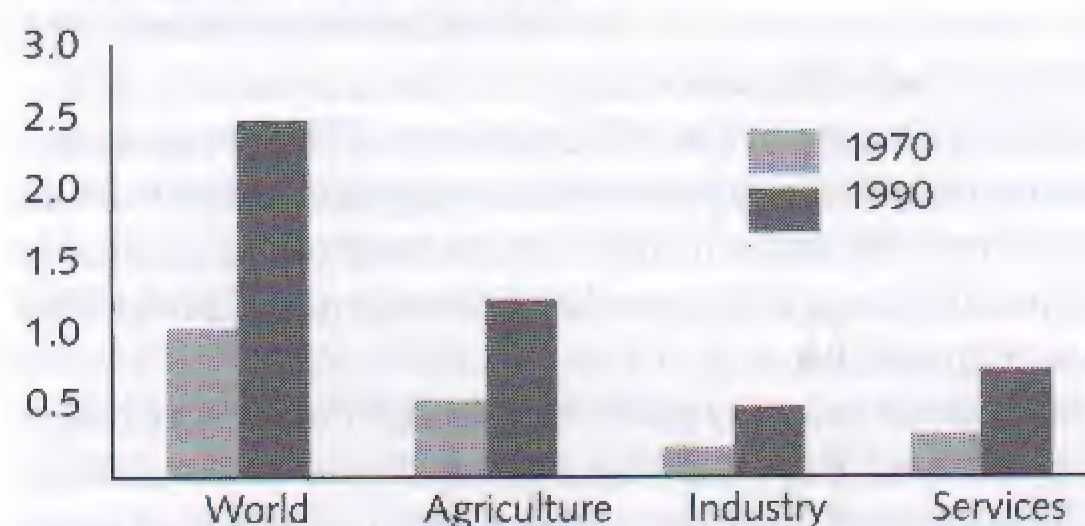
Source: [www.ggcd.net/dseries/](http://www.ggcd.net/dseries/)



# International / Globalisation

The effect of the addition of the former workers' states was particularly significant because of the very high proportion of industrial proletarians in their population, with the addition of the economies of Central and Eastern Europe accounting for a further 70 million industrial workers alone, compared with a total industrial work force of 118 million in the developed economies.

World capitalist workforce (thns)



Source: UNCTAD, "Globalisation Facts and Figures 2004"

The one-off addition of the formerly planned economies into world capitalism has been reinforced by a noticeable increase in the rate of urbanisation; that is, in the speed of the separation of the peasantry from the land in the 1990s.

According to a recent OECD briefing based on ILO figures, as a result of the conjunction of these two elements, restoration and urbanisation, the size of the world economically active population who can be exploited by capital has increased from 1,470 million people in 1990 to 2,930 million in 2004, i.e. it has more than doubled.

Certainly not all of these people are wage workers, but globalisation has meant a huge increase in the size of the world

result of the growth of women's participation in the work force which has risen from 1960, 38% to 2004, 59%, in the UK from 1960 40% to 2004 56%, France 1962 38% to 2004 51%, Germany 1960 41% to 2004 50%, the only major exception is Japan.<sup>24</sup>

As to the effect of immigration one recent study has concluded:

"From 1970 to 1980, immigration contributed approximately 2.1 percentage points to the total population growth of 11%. From 1990 to 2000, immigration contributed 4.5 percentage points to the total population growth of 1%... according to the latest estimate, published in December 2005, immigration accounted for more than 40 percent of population growth from April 2000 to July 2005 (U.S. Census Bureau 2005)." <sup>25</sup>

Again, "Conventional estimates put annual illegal immigration during the 1990s between 350,000 to 550,000 persons per year, or about 30 to 40 percent of total immigration. (Constanzo and others; Warren). Some studies estimate that, since 2000, the share of illegal immigration in total immigration has been even higher, at 50 percent or more (Passel; Passel and Suro)." <sup>26</sup>

Reinforcing the pattern towards "precarité", the creation of a large proportion of low paid workers with very little security, intense rates of exploitation and exposed to the worst forms of exploitation, outside of the protection of the existing national trade unions and labour laws, these workers have enabled the capitalists to sharply raise the rate of exploitation in the imperialist heartlands and assist the creation of a core and periphery workforce with different terms and conditions, wages and security.

## Conclusion

In short the globalised world economy today meets Trotsky's description of, "... a number of cycles characterised by sharply delineated booms and weak, short-lived crises. As a result we have a sharply rising movement of the basic curve of capitalist development."

The component elements of this can be summarised thus:

- Significant defeats imposed on working class of North America and Europe during the course of the 1980s and 1990s, allowing for lowering of real wages, improvement in productivity and increase in the rate of surplus value.
- The restoration of capitalism in China, Russia and central Europe, doubling the global labour force open to exploitation by foreign and domestic capital, massively lowering the organic composition of capital and hence improving profitability. At the same time this restoration has expanded the market for commodities and services of made by imperialist MNCs.
- A great leap forward in the centralisation of capital through aggressive merger and acquisitions in the 1990s, giving global reach and economies of scale to major industries.
- Restoration of US hegemony in the 1990s, enabling it to reconfigure multilateral institutions in a manner favourable to its economic policies.
- Roll-out of new technologies since the mid-90s (e.g. internet) which have developed new markets (e-commerce), allowed for

## The reduction in the organic composition of capital – the value relationship between machinery and labour – is a major counterweight to the falling rate of profit

working class, which has decisively reduced the organic composition of capital. According to Helmut Reisen, at the OECD, "The entry of China, India and the former Soviet bloc into the global economy cut the global capital/labour ratio by 55% to 60% compared to what it otherwise would have been." <sup>23</sup>

The reduction in the organic composition of capital (i.e. the value relationship between machinery and labour) is a major counterweight to falling rate of profit in capitalism and the magnitude of this downward revision in the 1990s has done much to spur investment and boost profits.

Profits have also been boosted by drawing more and more of the potential labour force into paid employment and ensuring that those that are drawn in – often women and immigrants – are cheap and flexible.

In the USA the participation rate of the population in the workforce has risen from 1955 59% to 2005 65% largely as a



relocation of key service and hi-tech industries, cut transaction costs and speeded up the turnover time of capital.

» This has resulted in a sharp reversal in the decline in per capita output in the 1980s and a major improvement the rate of profit, significantly above the level of 1973-92. Since the mid-90s the level of accumulation (net investment) has revived.

Combined, these factors have produced a sustained – though not crisis-free – revival in capitalism, above all profitability. The fact that the rewards of this revival have not been “fairly” distributed between bosses and workers is entirely due to the weakness of the international labour movement

as they emerge from significant defeats of the 1980s, or have yet to construct genuinely strong and independent fighting organisations out the debris of the planned economies.

The exhaustion of the factors that have boosted productivity, trade, output and profits is a certainty, but over what timescale is difficult to predict. But the gross social inequalities generated in this phase, and the determination of neo-liberal governments to entrench their gains over the working class, guarantee sharp clashes and with them the necessity to strengthen revolutionary organisation in the heart of the working class.

## STALINIST COLLAPSE

# The end of planned economies – the effect on world capitalist output

IN THE early 1990s the planned economies of the ex-USSR and Eastern Europe collapsed swiftly. In China a long process of gradual market reform reached the tipping point about 1992 when capitalism was restored.

Initially the effects on world capitalism was limited. For the creation of capitalist production it was necessary to destroy the plan and produce according to the law of value or profit motive. The brutal transition from the planned production of the former workers' states to the unplanned production of capitalist market, destroyed vast swathes of the economy and resulted in a massive fall in the output of these economies and their notional GDP.

But this collapse in output was a collapse not of capitalist production, but of planned production, it was not a decline in the capitalist economy, but the creation of it.

The change can be seen in the table below.

The fall of output in the 1990s accurately reflected the collapse of the planned economy, but unfortunately UNCTAD measures the destruction of the plan as the destruction of capitalist production, rather than the

creation of it. In reality, the decline in material production in these states is at the same time a net addition to global value production.

This trend can be illustrated by looking at the global steel industry. Steel is an absolutely fundamental guide to the health of the capitalist economy and since the turn of the century it has been growing extremely fast.

### Capitalist steel production average % annual increase

1980s	-2.51
1990s	6.01
2000-04	6.89

Source: World Steel Organisation

The addition of the steel output of the former workers' states to the world capitalist market causes a one off increase in capitalist steel production of 60.77% in 1990. But the integration of these industries, particularly in the former USSR, now CIS, shows the effects of capitalist restoration on the planned economy. Steel output in the CIS fell from 1993 8467 thousand tonnes, to 1999 6083 thousand tonnes, a collapse in output of -28.6%. But this decline is in fact the

creation of capitalist output of 6083 thousand tonnes from nothing.

And what is more this steel production is now on the basis of the most advanced manufacturing technique, the manufacturing capacity of the former workers' states has been transformed with modern capitalist production methods that have replaced previous plants inherited from the former workers' states.

This is key because it is this revolutionising of production, which has sustained the productivity rises, necessary for the maintenance of rising profit rates world wide and it will be the exhaustion of the ability of capitalism to continue this rate of productivity advance which will signal the end of the present upward long wave.

Depending on the measure used, the addition of the output of the former workers' states added between 10% (World Bank GDP Constant Dollar measures) to 26% (IMF GDP PPP measures) to the size of the world market, or between 1% to 3% to annual GDP growth rates capitalist growth rates in the 1990s, a contribution sustained since the turn of the new millennium.

### Fall and rise of ex-workers' states output, 2001-2006a (annual % change)

	1990-2000	2001	2002	2003	2004	2005	2006
South-East Europe/CIS	-4.3	5.9	5.2	7.2	7.9	6.3	6

Source: UNCTAD Trade and Development Report 2006



## THE WAGES QUESTION

### Who benefits from higher growth?

IN THE USA wages as a proportion of GDP have remained at around 64%. As a result there has been a general decline in the value of average wages per person since GDP has continued to increase. Since 2000 "after you adjust for inflation, the wages of the typical American worker – the one at the very middle of the income distribution – have risen less than 1% since 2000. In the previous five years, they rose over 6%."<sup>1</sup>

Profits are not in short supply, and the major corporations prefer to cash in on their victories over a weakened labour movement and distribute profits to chief executives and shareholders. Unlike the 1950s and 1960s the capitalists do not

face the "Red threat". They do not have to buy off their working class to inure it against the attraction of "communism" in the USSR, China and elsewhere.

Stagnant real wages in the US has not immediately translated into falling living standards since the decline in the price of manufactured commodities means that more can be bought with the same amount of money.

In addition household incomes have risen more than real wages due to cashing in on value of rising home property prices, while lower interest rates have reduced housing costs.

Naturally these "safety valves" have not been available to all

layers of the US working class and growing numbers are hit by real and ongoing cuts in pensions and health insurance coverage or having to bear the cost of maintaining them as employers divest themselves of their historic responsibility for them.

The net result is a growing differentiation within the US working class between the "labour aristocracy" and poorest stratum.

#### ENDNOTES

1. *The Economist*, 15 July, 2006. Meanwhile, "the share of aggregate income going to the highest earning 1% of Americans has doubled from 8% in 1980 to over 16% in 2004."

#### ENDNOTES

1. See "Markets on the edge of a nervous breakdown" by Keith Harvey, January 1999

[www.permanentrevolution.net/?view=entry&entry=714](http://www.permanentrevolution.net/?view=entry&entry=714)

2. Figures drawn from several editions of IMF's World Economic Outlook. Indeed output in Asia (minus Japan) grew at 7.9% p.a., in Russia and central and eastern Europe (CEE) at 5.8% pa. In the major capitalist economies of the global north growth was above the 1990s average at 2.4% p.a.

3. See "Globalisation: the contradictions of late imperialism" (2003) [www.permanentrevolution.net/?view=entry&entry=453](http://www.permanentrevolution.net/?view=entry&entry=453)

4. Economist Intelligence Unit: Forecast 2020 p19

5. L Trotsky 1921, *First Five Years of the Communist International*, London, 1973

6. Further Trotsky noted: "How are the cyclical fluctuations blended

with the primary movement of the capitalist curve of development? Very simply. In periods of rapid capitalist development the crises are brief and superficial in character, while the booms are long lasting and far-reaching. In periods of capitalist decline, the crises are of a prolonged character while the booms are fleeting, superficial and speculative. In periods of stagnation the fluctuations occur upon one and the same level."

7. Trotsky, *Third International After Lenin*, p62. In case there is any misunderstanding, a period of "capitalist progress" does not imply that the rewards of the new uplift in global capitalism are distributed "fairly" or evenly between business and employees, or within the working class. The effects of growth in investment and profits and productivity on the levels of poverty and inequality are a "dependent variable", that is to say, they depend upon the class struggle and what rewards are ripped from the hands of the bosses.

8. Keith Harvey, "Russia: the death agony of a workers' state" [www.permanentrevolution.net/?view=entry&entry=715](http://www.permanentrevolution.net/?view=entry&entry=715) and Peter Main, "China: Stalinists draw near their capitalist goal" [www.fifthinternational.org/index.php?id=52,217,0,0,1,0](http://www.fifthinternational.org/index.php?id=52,217,0,0,1,0)

9. Marxists call this increasing the rate of absolute surplus value.

10. This is referred to as increasing relative surplus value and sign of the vitality of capitalism since it involves economising on the use of labour time to produce more rather than just forcing people to work harder.

11. R Brenner, "The boom and the bubble", pp229-230. *The Economist* claims US "workers now produce over 30% more each hour they work than ten years ago" (15 July 2006).

12. R Brenner, *ibid*.

13. Deutsche Bank Research Bureau. *New Economy* 2.0 April 2006.

#### LINKS

**The restoration of capitalism and the growth of the world market, by Bill Jeffries**

[www.permanentrevolution.net/?view=entry&entry=647](http://www.permanentrevolution.net/?view=entry&entry=647)

and

[www.permanentrevolution.net/?view=entry&entry=64](http://www.permanentrevolution.net/?view=entry&entry=64)

**Does imperialism have any reserves left?, by Keith Harvey**

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**1992-today, an new upward long wave, by Bill Jeffries**

[www.permanentrevolution.net/?view=entry&entry=309](http://www.permanentrevolution.net/?view=entry&entry=309)



14. UNTACD Trade and Development Report 2005.

15. Henry C K Liu, chairman of the New York based Liu Investment Group quoted in the *Asian Times*.

16. "Given that lower-cost producers in emerging markets and developing countries will continue to integrate into the global trading system, these forces are likely to ensure low inflation in the foreseeable future, reminiscent of the secular deflation associated with broad productivity increases during the classical gold standard in the late nineteenth century." IMF, World Economic Outlook, Spring 2006 Ch3.

17. World Bank, Global Economic Prospects 2005.

18. UNCTAD, Trade and Development Report, 2005.

19. The important exception is the UK, where shortages of skilled labour and the particularly post-Thatcher, narrow base of the manufacturing sector now accounting for just 16% of GDP, has enabled manufacturing workers to win pay rises higher than the average either in the UK or of their rivals world wide.

20. Karl Marx, *Grundrisse*, p 639.

21. E Mandel, *Long Waves of Capitalist Development*, Cambridge, 1980, p 12.

22. Bureau of Economic Analysis 2000; in constant \$ dollars.

23. OECD Development Centre 2005.

24. Department of Labor, Bureau of Labor Statistics 2006.

25. Todd E Clark and Taisuke Hakata, "The Trend Growth Rate of Employment: Past, Present and Future", *Economic Review First Quarter 2006*, p73. This trend was also present in the late 1890s phase of globalisation, as Lenin noted: "One of the special features of imperialism connected with the facts I am describing, is the decline in emigration from imperialist countries and the increase in immigration into these countries from the more backward countries where lower wages are paid." : Lenin, *Imperialism, the highest stage of capitalism*, chapter 8)

26. Ibid., p75.



# Will it change the world?

*Over the last twenty years capitalism has utterly transformed China; in the next twenty Chinese capitalism looks like transforming the world. Keith Harvey looks at the recent history and future prospects of China's economy*

SINCE CHINA began to open its economy to foreign trade and investment in 1978, its average annual GDP growth has exceeded 9% – generating a 500% increase in its GDP. This rate of growth, the size of China's market and its degree of openness to foreign investment means that China has a massive demand for industrial raw materials and foodstuffs; China consumes 10% of the world's electricity, 20% of its copper, 31% of its coal, and some 40% of its cement.

China is currently the largest consumer of coal, steel, aluminium and copper, and the second largest consumer of oil – accounting for one-third of global demand in 2005.<sup>1</sup> In turn this has driven up world commodity prices which has driven the export led boom of countries in Australia, South East Asia, southern Africa and Latin America, and kept Japanese capitalism afloat in the 1990s.

But China is only just starting out. The size of the economy, when measured at market prices, now exceeds that of a number of major European economies and, according to the OECD, may be exceeded by only three OECD member countries in five years' time.

But despite this massive growth in the last 25 years, serious capitalist development is only now reaching the 800 million people in rural areas, where per capita annual income is just \$354. Outside major cities wages are as little as 45 cents an hour. This indicates the scale of what could lie ahead, including the fact that the flood of new entrants into the super-profitable labour force will not dry up before 2015.

### **What imperialism gets out of China**

China is the single biggest factor in setting the main global macroeconomic indicators for the imperialist countries. China's ocean of foreign exchange reserves (the world's larg-

est in excess of \$1 trillion, most of which is in dollars) and use of these to buy US treasury bills is the key determinant in setting global interest rates. The deflationary impact of its competitive pricing on most consumer goods is a huge part of why inflation has been low in G8 countries, allowing living standards to improve for some despite declining or stagnant pay levels.

Crucially, it is generally accepted that the doubling of the global labour force (that is, reachable and exploitable by foreign direct investment – FDI) in the last ten years has considerably lowered the organic composition of capital, raised the rate of profit and had a depressive effect on wage levels in the OECD countries. The *Economist* said in July 2006:

"Last year, America's after-tax profits rose to their highest as a proportion of GDP for 75 years; the shares of profit in the euro area and Japan are also close to their highest for at least 25 years... China's emergence into the world economy has made labour relatively abundant and capital relatively scarce, and so the relative return to capital has risen."<sup>2</sup>

Imperialism benefits from China in two other ways. Most directly it benefits from using the very cheap labour in the country to process imported components and re-export them as finished manufacturing goods to the rest of the world. More than \$500 billion in foreign investment – most of it since 1990 – has poured into the country. Since 2001 (when China entered the World Trade Organisation) this FDI has accelerated; China has doubled its import and export volume in 2002-05 – a rate of increase that outstripped the whole of the 1990s. Many industries have become completely integrated into the world supply chain.

By 2003 UNCTAD estimates that foreign firms owned about 14% of the total capital stock in China.<sup>3</sup> More than a quarter of all industrial output is now produced by private,



foreign-owned companies according to the OECD and they are concentrated in the high-value added telecoms and electronics sector.

A full 57% of China's exports are from factories in which imperialist multi national companies (MNCs) have a major or majority share. Virtually all of the growth of foreign enterprises from 1998 to 2003 has come from an increase in the share of wholly foreign-owned enterprises, rather than joint ventures.

In 2005, regulations that prevented privately-owned companies entering a number of sectors of the economy, such as infrastructure, public utilities and financial services were abolished and this prompted a new influx of FDI into these areas.

Foreign companies spent \$13 billion last year in taking over Chinese companies, compared to \$2.7 billion in 2001. And whereas acquisitions accounted for only 4% of total FDI in 2002 this rose to 21.5% in 2005. It has doubled during the last year alone after regulations were relaxed.

The out-and-out winners among foreign firms in China are those that import components and re-export the finished products. China has a very cheap repressed labour force and a first world infrastructure of roads and factories. These firms have no Chinese competition to deal with as yet. The firms make modest margins on high turnover but "the real profits are captured by multinational companies that control final distribution in developed countries. Wal-Mart for instance sourced more than \$18 billion of goods in China in 2004, reselling them at a handsome mark-up."<sup>4</sup>

In 2002 there was a huge state bank-driven credit expansion in China that greatly benefited imperialist companies. In 2003 new loans were equivalent of a quarter of GDP. The purpose was to bring down the bad loan ratio of the banks (which it did). But the effect was to give a massive boost to foreign investors. "The effect of the credit deluge on foreign companies was universally, if unevenly, positive."<sup>5</sup> During the second half of 2002 business boomed, according to *Studdwell*, to a degree "at least as frenzied as the one that followed Deng's southern tour of 1992".

Fixed investment as a proportion of GDP quickly outstripped the previous 1993 peak and rose to 47% of output in 2004 and more than 50% in early 2005 – the highest ratios for any significant country for a century. GDP growth has exceeded 9% for the last three years.<sup>6</sup> Exports increased by more than 25% in 2003 and again in 2004.

BHP Biliton, the world's largest mining concern, reported the biggest profit ever by an Australian company in 2004; 10% of income came from China. Moreover, "companies with investments in China's domestic economy also enjoyed the most fruitful operating conditions of the modern era."<sup>7</sup>

Data on the profit performance of China affiliates of US firms reveals that their low aggregate income in the mid-1990s began to pick up at the end of the decade. In 2001 profits reached \$4.8 billion. Compared with about \$12 billion of profits coming out of Mexico the same year this is small, but the rate of increase is dramatic. In 2003 China profits rose to \$8.2 billion – on a par with profits taken out of Australia, South Korea and Taiwan.

The same year foreign owned private sector firms in China were earning a 14.2% rate of return on their physical assets, double the 1999 rate.<sup>9</sup> Whereas in 1999 only 13% of the US

companies operating in China said profits from China were at or above average for their firm's global operations, in 2004 this leapt to 73%.

These are superprofits and constitute a considerable growing reserve for imperialism that was not there five or ten years ago. Given the reserve army of labour in China it is likely that China will remain highly profitable for foreign firms that use cheap labour in labour intensive manufacturing industries for re-export in the next decade.

The picture for foreign MNCs who wish to take advantage of the growing Chinese domestic market is more mixed. In the 1980s and 1990s MNCs ploughed money into loss-making firms just to be in the market, often losing mountains of cash. This switched dramatically from 2002 as WTO regulations have given rise to greater opportunities to make money and as the credit explosion that year fed through into a consumer credit boom. Suddenly the fortunes of GM,

## **China is currently the largest consumer of coal, steel, aluminium and copper, and the second largest consumer of oil – accounting for one-third of global demand in 2005**

Volkswagen etc were transformed. Car sales mushroomed 60% in 2002 and 80% in 2003; profits were huge and new investment accelerated to create new capacity for expected growth well into the decade.

But in 2004 the market bottomed out as consumer credit dried up and domestic car firms launched a savage price war. The story has been repeated in the mobile phone market. China already has the world's biggest base of mobile phone subscribers – 350 million – and that is expected to near 600 million by 2009. Companies like Motorola have made vast profits out of this market. These are important safety valves for imperialist MNCs that confront saturated markets elsewhere in the OECD.

But they are also prone to a rising challenge from Chinese competition at the low end of the market, forcing the foreign MNCs to concentrate on the higher value-added end of the market. There is also an increasing trend for MNCs to sell off whole brand or product lines to Chinese companies at a handsome price (e.g. the sale of IBM's PC business to Lenovo) rather than seek to compete there against state-backed Chinese firms.

### **Semi-colony or proto-imperialism?**

At present China is more of a resource for imperialism than a challenge to it. The Chinese bureaucracy's "development model" in the 1970s-90s made this so. On the one hand it welcomed FDI in export-oriented industries that imported virtually all its components from outside China; so there were few "linkages" with domestic private firms that allowed a significant domestic sector to develop on the back of this investment.

This process was compounded because the Chinese state



inhibited the growth of private sector domestic capital, placing considerable restrictions on its scale and operation. As a result, for example, the retail sector in China was dominated by four foreign firms in the 1990s.

So in that sense China was more like Malaysia than South Korea at the time; in the latter powerful private sector domestic monopolies (chaebols) were encouraged to grow alongside and subsequently outdo the foreign firms, eventually giving rise to global leaders in manufacturing.

But in the 21st century China is following the South Korea development path. State-backed car firms, retail chains, and mobile phone firms are deepening, and will continue to deepen, their penetration of the domestic market and then look abroad to expand. China is not "destined" to remain a low labour cost platform for imperialist re-exporters. Many point to the numbers of designers and engineers graduating in China over the next decade.

Up until the mid-1980s the Chinese government was neutral or hostile to investing overseas, resulting in a pitiful \$300m worth of Chinese investment abroad, mainly in the form of joint ventures with host country firms. From 1985 onwards, private enterprises were allowed to apply for permission to establish overseas subsidiaries that led to a near ten fold increase in accumulated FDI stock by 1990.

In the 1990s the state began to aggressively promote Chinese FDI. Between 1991 and 1997 120 state-owned enterprises were chosen by the State Council as part of the government's drive to create "global industry champions" which were given access to preferential financing and allowed

**China is not "destined" to remain a low labour cost platform for imperialist re-exporters. Many point to the numbers of designers and engineers graduating in China over the next decade**

special rights in terms of profit retention and investment decisions.

The Chinese government estimates it can develop 150 global champions from China by 2015. The scale of the challenge is clear, as currently only seven of the top fifty MNCs in the developing countries are from China.

For the moment most MNCs are completely or partially state-owned, including the banks. The Chinese state sector is being scaled back and slowly reformed; the big established sectors (oil, construction, steel etc). Their investment abroad is government directed and aimed at establishing "energy security" by buying up raw materials and energy sources. These monopolies are emerging as potentially big Chinese MNCs; some 34% of Chinese FDI in 2004 was from state-owned companies.

Despite recent rapid growth, at present China's finance capital sector is small - \$53 billion of accumulated Chinese FDI existed around the world at the end of 2005, less than 3% of GDP. One of the key features of an imperialist country

is the tendency for its foreign investment to become more and more important compared to its exports of goods and services.

But while the overall size of capital invested abroad to date is small the trend is clear. In 2004 the stock of Chinese FDI increased by 93% and by a further 26% in 2005;<sup>10</sup> the Ministry of Commerce expects the annual increase to be in excess of 20% between 2006-2010. This would more than double its present accumulated global stock.

Since China's entry into the WTO in 2002 the Chinese government has promoted the development of Chinese multinationals under the slogan "Going Global". According to Deutsche Bank "The policy was given weight in 2001 by the then Premier Zhu Rongji in connection with the government's tenth five year plan and was reinforced as recently as March 2006 in a key policy speech delivered by Premier Wen Jiabao to the annual plenum of the Chinese People's Political Consultative Conference, in which Mr Wen noted that the government will "institute a policy support and service system and improve the mechanisms for coordinating overseas investment and risk management".<sup>11</sup>

This is being driven by two imperialist phenomenon, outlined a century ago by Marxists. The first is that domestic competition inside China, including with foreign companies, is pushing firms to look abroad for market share and investment outlets. Secondly, China's growing capitalist economy demands more and more resources (energy and raw materials) and this pushes Chinese firms to export capital abroad to secure them.

Last year China lifted restrictions on overseas investment to ease the build up of its currency reserves - that is, surplus capital was being directed abroad to find profitable outlets. One specific priority for the Chinese government under the "Going Global" strategy is the creation of a number of large multinational firms with globally recognised brands able to compete in the international market place. Deutsche Bank again:

"Examples of such global champions, of which authorities in Beijing have estimated there will be 150 within a decade, would include Hai'er (home appliances - occupying more than half of the small refrigerator market in the US), Galanz (microwaves - producing one third of microwave ovens in the world under its own brand), and Tsingtao (beer)."<sup>12</sup>

But have we not seen all this before? Indeed, the post-war era witnessed "economic miracles" in Japan and South Korea and rates of growth in the 1950s or 1970 comparable to those seen in China in the 1980s and 1990s. But there are crucial differences too. Japan and South Korea were too small to act as the engine for worldwide growth or radically overhaul the nature of many industries. China by contrast, does.

Rather than Japan or Korea after World War II, *Business Week* last year suggested that a closer analogy "is 19th century America, a huge continental economy with a young, driven workforce that grabbed the lead in agriculture, apparel, and the high technologies of the era, such as steam engines, the telegraph, and electric lights."<sup>13</sup>

China is a bit like European and US monopoly capitalism in the 1870s and 1880s, a period Lenin described as "transitional" to the imperialist stage. Just as there were a handful of multinationals operating from the USA and Europe in the 1880s (like Singer) so there are in China today, but they do not



predominate in the economic life of China today anymore than they did in the USA in the 1880s.

But depending on how Chinese capitalism deals with the inter-class and interstate obstacles in the next twenty years China is on course to becoming the largest trading country in the world by 2010 and at least twice as important as the USA in world trade by 2015.

Of course, the ambitions of China's rulers and business elite to emulate and out do Europe or the USA, not simply become another, albeit larger South Korea, puts it on collision course with these two major imperialist blocs.

And as it moves in that direction it will add more tension to interstate relations. One study suggests that Chinese consumption of oil will increase by 50% by 2020 while domestic production will stagnate, driving forward the country's attempts to secure foreign reserves and bringing it into collision with the USA and Europe.

Already clashes have occurred between China and its rivals. In 2005 there was a storm in the USA as the protectionist lobby in Congress successfully thwarted the attempt by state-owned oil company CNOOC to take over small Californian oil firm Unocal.

Chinese trade related diplomacy has been frenetic in the last two years as government figures have toured Africa and Latin America, signing long-term contracts for resources, finalising investment deals. As yet China has done this while seeking to avoid open clashes with the USA or EU. Faced with demands for economic concessions over "dumping allegations", China has generally sought to compromise or back down.

In the political sphere China has not sought to obstruct US aims in the "war on terror" since 9/11, or used its UN security council veto to thwart US demands in regard to the war in Iraq and Afghanistan, or Iran's nuclear programme. It is quietly establishing bilateral trade pacts with India, Iran and forming regional trade federations in Asia, but apart from the occasional sabre-rattling over its claims on Taiwan, it has not been assertive.

Yet it is obvious – just as it was in the 1890s and early 20th century – that feverish economic expansion of a new capitalist power or powers can only bring China into increasingly rancorous competition and conflict with its already established global rivals. Finite energy and raw material resources as well as competition for markets will dictate the shape of future political alliances, maybe pitching China, India, Iran and Russia into a pact in which the Middle East – with its oil reserves – becomes the site of bitter proxy conflicts between USA, EU and China.

Of course, not all the economic obstacles on the path towards Chinese imperialism are external. Indeed, in the short term they are mainly internal. First, there are many obstacles in the path of uninterrupted seamless capitalist growth – this is capitalism after all. Capitalist expansion is the expansion of capitalism's contradictions, as Lenin said.

Andrew Glynn recently summarised a few of the barriers. China's "credit system is notoriously shaky, raising the possibility of a financial crisis and recession that could have a severe impact on the North. The rate of absorption of labour could generate wage pressure and industrial conflict which the CCP would find it difficult to restrain. China's appetite for energy and materials could precipitate spiralling prices,

## **Feverish economic expansion can only bring China into increasingly rancorous competition and conflict with its already established global rivals**

as markets try to anticipate long-run trends. A severe recession could develop in China as a result of a credit crunch and overaccumulation."<sup>14</sup>

Some or all of these may erupt in the next few years, aggravating China's relations with its imperialist rivals and sharpening the class conflict within. One thing is for sure, China's transformation from workshop of the world to regional hegemon and on to global superpower will not be seamless or peaceful.

### **ENDNOTES**

1. OECD, *Report on China*, 2005, p87
2. *The Economist*, 15 July 2006
3. UNCTAD, *Trade and Development Report* 2005
4. Joe Studwell, *The China Dream*, London, 2005, p294
5. Ibid
6. Most analysts suggest that this is understated and growth is probably double digit. This is based on the evidence of the demand for raw materials from abroad; demand for base metals ran at around 10-15% in 2000 and is now running at 20-25%.
7. Studwell, op cit, p287
8. OECD, op cit
9. It is accepted however that up to 20% of this figure is Chinese investment into tax havens and then brought back as foreign capital" to take advantage of favourable concessions given to it by the Chinese government.
10. *Global champions in waiting* Deuchter Bank research 2006
11. Ibid
12. Ibid
13. *Business Week*, 22-29 August 2005
14. Andrew Glynn, "Global Imbalances", *New Left Review* 34, July-August 2005, p37



# The penguins march to victory!

*This May school students in Chile took to the streets to demand free transport to school.*

*Their fight was quickly transformed into a nationwide struggle against the education law, rocking the newly elected government of Michelle Bachelet. A member of the Chilean Trotskyist group Revolución Proletaria looks back on these events and their importance for Chilean students and workers*

THE COAST of Chile and its offshore islands are home to four varieties of penguin. Intrepid tourists can catch a glimpse of their breeding colonies if they don't mind braving the elements to get there. However, throughout May this year Chile's urban centres witnessed a spectacle closer to home as tens of thousands of penguins of a very different breed caused turmoil up and down the length of the country.

Chile's school students are popularly known as "penguins" because of their characteristic black and white uniforms. From the end of April onwards these penguins flocked to the streets demanding free travel cards, enabling them to travel to and from school or college, the anti-riot police piled into the demonstrators, arresting hundreds. When students marched on May Day over 1,000 were arrested in Santiago and elsewhere.

The students' response was swift. Far from being cowed by the police attacks, the movement simply spread its wings and became more militant and organised. Schools were occupied and strikes organised. More and more joined the protest up and down the country, at the same time adding to the list of demands.

The penguins now wanted an end to the discriminatory system whereby students had to pay for their university entrance exams, insisted on more investment in public education and called for the repeal of the education laws – known as the LOCE (the Organic Constitutional Law on Teaching, one of the last measures put in place by the outgoing General Pinochet, designed to remove control of education from the hands of students, parents and teachers).

University students and teachers began to support their demands and join the struggle. Many parents also swelled the protestors' ranks. On 30 May nearly 800,000 students were on strike and marching across the country – the biggest student protest in Chile for over thirty years. Opinion polls at the time indicated that 88% of the population supported the students.

Despite this the leaders of the trade union movement refused to act in step with mass sentiment. The CUT – Chile's Trades Union Congress – failed to organise any solidarity action and its political leadership, the Communist Party, asked the students to be "flexible" in their demands.

The students ran the movement in a very democratic way. They organised from the bottom up and did not wait for the leaders of the school student union to lead the struggle. Instead they held mass meetings of students which elected delegates from classes and courses. In turn, delegates were elected to local and national coordinating com-



## BACKSTORY

### From Popular Unity to the coup and beyond

IN 1970 the left wing Popular Unity coalition government was elected, led by President Salvador Allende, leader also of the Socialist Party. The Communist Party joined the government too, along with a number of liberal parties.

Allende carried out some radical reforms but, despite fiery socialist rhetoric, he was committed to staying within the parameters of parliamentary reform. Socialist and Communist leaders alike said the time was not right for a socialist revolution.

But even the reform measures that Allende took, such as land reform and the nationalisation of the copper mines, were too much for the Chilean capitalists and the US imperialists. They began to prepare for the violent overthrow of Allende's government by means of a coup. Meanwhile the workers and peasants began to demand more from the government.

By 1973 the US government and the Chilean ruling class had decided that Allende must be removed and the revolutionary movement of the workers and peasants destroyed. On 11 September 1973 the Chilean army launched the coup. Allende died in the attack on the Presidential Palace.

A vicious dictatorship led by the army's commander in chief, General Augusto Pinochet, took power and proceeded to round up, imprison, torture and murder thousands of socialists, communists and trade unionists. Many people disappeared and their friends and relatives do not know, to this day, what happened to them. Tens of thousands of Chileans fled into exile to escape a similar fate.

Once Pinochet had succeeded in crushing the revolutionary movement he set about reversing the reforms of the Allende government and implementing a monetarist and neo-liberal economic programme. The Chilean market was opened up to transnational corporations. State services and companies were privatised and sold off, mainly to foreign companies.

The trade unions were bloodily repressed and organising a union became highly dangerous. Unable to defend themselves and with labour rights badly weakened, workers were forced to accept terrible conditions of employment. However, towards the end of the 1980s the dictatorship became increasingly unstable and mass protests, often led by the students and the youth, forced regime change upon the Chilean

state. Elections were held in 1989 and a new parliamentary regime installed in 1990.

Nevertheless, none of the dictatorship's torturers and murderers were punished for their crimes. In fact Augusto Pinochet, the dictator himself, remained a senator and subsequent governments passed amnesty laws granting immunity from prosecution to those who had participated in the coup or committed human rights crimes.

The four governments elected since 1989 have been run by the Concertación, a coalition of centre-left parties led by the newly revived Socialist Party. Each one has continued with the neoliberal economic policies of the dictatorship.

Despite the return to bourgeois democracy neoliberal policies continue to weaken the working class movement to this day.

» In September Chile's Supreme Court finally stripped the nonagenarian General Pinochet of his immunity from prosecution. Whether he ever actually stands trial on the various charges of kidnapping, torture and embezzlement that he now faces remains to be seen.

mittees. These delegates were recallable. That is, they could be removed and somebody else elected in their place if they did not do what the ordinary rank and file students mandated them to do.

The government initially ignored the student movement simply using the police to repress it. At one point during the struggle President Bachelet even flew to Washington, turning her back on a growing national crisis. The minister of the interior, Andrés Zaldívar, a participant in the 1973 coup against President Allende [see *From Popular Unity to the coup and beyond* – below], said it was necessary “to break the students”. But the government's attempt to rely solely on the police could not last, as the movement continued to gain in courage and militancy.

The students faced a coalition government that was subject to conflicting pressures. The President heads the Concertación coalition and is a popular figure – she is a single mother and is known for being placed under arrest during the Pinochet dictatorship. On her election she had promised to implement 36 social reforms within the first one hundred days of her presidency – an echo of the promise made in 1970 by Salvador Allende and his left wing Popular Unity

**The students ran the movement in a very democratic way. They organised from the bottom up and did not wait for the leaders of the school student union to lead the struggle**

government who promised to carry out forty reforming measures.

Most of Bachelet's popular support comes from the working class and the poor. They were, and are, expecting her to carry out a series of reforms to improve their lives. These expectations have been raised higher still because of the enormous amount of wealth Chilean business is sitting on.

Chile is one of the biggest copper producers in the world – one copper mine alone, the Escondida mine, produces 8% of the world's total copper – and in recent years prices for cop-



# International / Chile

per have quadrupled, from 80 cents per pound to over \$3 per pound, mainly as a result of China's insatiable demand for raw materials. A recent strike by 6,500 miners at the Escondida mine showed just how much money is being made. The companies that owned the mine, including the Anglo-Australian BHP Billiton, estimated they were losing \$16 million per day in profits while the strike lasted.

The consequence of all this is that the government has billions of dollars in tax receipts and dividends at its disposal. However, those who pull the strings in the Concertación government are not its poor and working class supporters but big business, whether it be Chilean or the transnational corporations of the USA, Britain or Spain. They insist that Bachelet continue with the pro-business, privatising policies inherited from the dictatorship.

The pressure from big business is further intensified by the Bush administration, keen to advance ALCA, a free trade agreement for South America. Then there is the potential economic bonanza to be made from business with Asia. Chile's Pacific Ocean coastline means it is a gateway for trade between Asia and South America.

The core of Bachelet's cabinet are members of a think-tank called Expansiva. There are many similarities between the ideology of this project's backers and those of Tony Blair and New Labour in Britain. Of the seventy leading members of Expansiva 34 hold positions of responsibility in the "citizen" government of Bachelet.

Expansiva supports greater privatisation and deregulation, offset to some degree by a package of mild social reforms and policies. It is against this background that Bachelet's 36 measures must be understood. Expansiva hope that by offering a few crumbs to the people they can legitimise and consolidate the neoliberal model they favour!

But this so-called human face of capitalism has already been exposed for what it is. The indigenous Mapuche population has been fighting against the pollution and destruction of their lands by the big logging companies. At the height of the students' struggle there was a hunger strike by the Mapuche protestors.

Once more the government tried to pretend that nothing was happening and was quite prepared to see the hunger strikers die. This is the real human face of Bachelet and Expansiva! Bachelet's government sided with the logging companies and was even prepared to use anti-terrorist laws against the Mapuche.

After a month of struggle by the school students Bachelet was finally forced to negotiate. She conceded many of the students' demands at a cost of some \$200 million but still refused to repeal the hated LOCE. She opted instead for a commission to investigate the education system.

The students responded well, demanding that they be given 50%+1 of the places on the commission. While they realised the concessions given by the government were not enough, they accepted them and called off the action, threatening to return to the streets if the commission fails to deliver what they want later this year. They understand this is only a truce in the battle for the repeal of the LOCE and against the privatisation of education.

The uprising of the penguins was a very important moment in Chile. It marked the end of a prolonged period of political quiescence ushered in by the Pinochet coup and the repression that followed and gave confidence to

**The uprising of the penguins was a very important moment in Chile. It marks the end of a prolonged pause in mass political struggle**

sections of the copper miners who went on strike shortly after. No doubt the school students have been watching and learning from the other great struggles taking place in Latin America and around the world – not least the French students.

It is important for other sectors to join in with the school students in their fight against the LOCE. If that happens it has the potential to crack open the social and political floodgates. Working people and the poor could begin to demand improvements to the, currently lamentable, state of the hospitals, the schools and other public services. It also raises the possibility of a concerted fight against the terrible situation of contracted workers in Chile who have few rights. And in such a united struggle the Mapuche people would be well placed to realise their demands too. All of these struggles could unite the workers against a government that wishes to continue with neoliberal economic policies at the expense of the majority of the population.

However, these struggles are only steps in the struggle against capitalism, with or without a human face. It is important not only to consider how to fight these distinct battles but to put forward the policies needed to lead a fight for a revolution against capitalism – a socialist and working class programme. The comrades of the Partido Revolución Proletaria are committed to discussing and fighting for such a programme.



# Backspace / Obituary

## Ted Grant 1913-2006



WITH THE death of Ted Grant in July, aged 93, the generation of pre-World War II Trotskyist leaders passes into history. Still active when he suffered a stroke while speaking at a public meeting three years ago, Grant had clocked up 75 years as a conscious Marxist.

Grant was already reading Marx's *Capital* at the age of 15 in his native South Africa. It was recommended to him by his mother's lodger Ralph Lee, a supporter of Leon Trotsky. Grant was to join Lee in moving to Europe in the 1930s. They went to Paris in 1934 to meet Leon Sedov, Trotsky's son, who advised them to work with Trotsky's British supporters.

The Trotskyist movement Grant found in Britain was already divided into warring groups. Grant initially joined the Marxist Group, which was active in the Independent Labour Party (ILP). Very shortly afterwards, he left it to join the Militant Group, who were carrying out "entryism" in the Labour Party.

While he was at home in the sphere of propaganda and theory, Grant did not flinch from more robust activities, for example he participated

The WIL grew partly because it was the only party defending workers' conditions. Labour was in a war time coalition with the Tories and strikes were denounced, not least by the Stalinist Communist Party, as against the war effort and unpatriotic. The WIL's interventions in support of strikers won them support from militant workers, most notably during strikes in Tyneside and at the Royal Ordnance Factory in Nottingham where the WIL members led the factory organization.<sup>1</sup>

In 1944 the WIL fused with the smaller Revolutionary Socialist League, the official section of the Fourth International (FI), to form the Revolutionary Communist Party (RCP). However, almost immediately the British Trotskyists entered a period of disorientation and decline as the FI's leadership failed to critically reassess its political perspectives in the light of the fast-moving and far-reaching events that marked the end of the war.

Trotsky believed that the world war would produce a massive revolutionary crisis, particularly in Germany, Italy, France, Britain and

USA allowed American imperialism to stabilise and gradually resurrect both victor and vanquished European powers. In the Soviet Union, too, the planned economy proved stronger than the Stalinists' bungling and sabotage.

Instead of recognising that Trotsky's perspective had been falsified by events, the leadership of the FI, the International Secretariat (IS), shut their eyes to reality in order to hold on to "orthodoxy". To do this, they began to transform Trotsky's tactics, strategy and programme in an empirical and piecemeal fashion, and in the process began to elaborate a political method based on catastrophism and processism.

Catastrophism was evident in the continuing insistence that a complete breakdown of the capitalist economy was imminent, and processism was embedded in the assumption that once the crisis was under way, the objective process, in and of itself, would impel the masses to take a revolutionary course and force whatever leaders they had to hand to take that direction too. So the Stalinist Tito in Yugoslavia was quickly politically re-assessed when he fell out with Stalin. His regime was declared no longer Stalinist, there was no need for a revolutionary struggle against the Tito regime rather the FI set out to give friendly advice to their new "Leninist" friend.

This analysis delivered a death sentence to revolutionary principles of Trotskyism. The key leader at the time, Michel Pablo, expounded the view that a communist (or even social democratic) party could be used by the working class as a "rough instrument" to achieve revolution. He concluded that the task of the Trotskyists should be to enter such parties with the aim of staying within them to influence their leftward movement once the crisis arrived. This was a new type of entryism, "entrism sui generis" – of a special type. Entrism was converted into a strategy, justified by the false claim that it was now possible to win these parties to implement socialism.

At first, during the 1946-49 period, Ted Grant and the other RCP leaders were among those most sceptical about these positions of the

### **While at home in the sphere of theory, Grant did not flinch from more robust activities. He participated in the Battle of Cable Street in 1936**

in the Battle of Cable Street in 1936 in the East End of London to defend the Jewish community from the attacks of Oswald Moseley's British Union of Fascists.

By the time of the founding congress of the Fourth International (FI) in 1938 there were four Trotskyist groups in Britain and Grant was by then the leading theoretician of the Workers International League (WIL). During the Second World War the WIL's work led to a significant growth in membership. From a group of around thirty in 1938, it had grown by 1944 into an organisation several hundred strong and one which possessed a significant industrial base.

the USA. As a consequence the FI could become a mass force. It could use the "Transitional Programme" of 1938 to relate to the revolutionary upsurge and win the leadership of it. Capitalism would suffer its death agony, or survive only by creating forms of totalitarianism even more monstrous than those of the 1930s. The Stalinist regime in the USSR would be destroyed, either by political revolution or conquest by imperialism. This was the perspective adopted by the FI at the start of the war.

However, while parts of Europe were certainly convulsed by revolutionary crises in 1944-45, the industrial and financial might of the



# Backspace / Obituary

International. In 1946, Grant wrote "Economic Perspectives", a document challenging the IS analysis of continued stagnation and imminent economic crisis. In it he argued that if the reformist leadership of the working class stabilised the political crisis, capitalism could continue to find a breathing space and pointed to evidence of economic recovery.

But even then Grant's catastrophism, a hallmark of his politics throughout his life, was not abandoned. He argued in 1946 that even in a period of recovery, capitalism was no longer capable of developing the productive forces, "While cyclical upturns will take place and are taking place at the present time, there can be no real growth of the productive forces as in the past. The chronic crisis and death agony of capitalism will once again be revealed in its full scope..."<sup>2</sup> Any recovery, he argued, would only be preparing the ground for a renewed period of crisis and a slump more profound than had been seen between the wars.

Throughout the long post-war boom of the 1950s and 1960s Grant continued to predict that a new crisis would arrive in the near future. A

which presented itself as a platform for various left reformists, including the Bevanites in the Labour Party, and figures from the trade union bureaucracy. Grant was only to enjoy membership of the Group for a brief time before he was expelled by Healy.

In the later 1950s and early 1960s, Grant put together a band of comrades in London and Liverpool that were to form the nucleus of the Militant group in 1964. During the late fifties Grant settled upon a worked-out justification for entryism into the Labour Party, to which he would henceforth be committed much more firmly and consistently than the other centrist currents within degenerate Trotskyism. It was a justification based on a centrist schema and it became the defining element of Grant's politics.

Grant's document, "Problems of Entrism", began by recognising that the conditions which led to Trotsky's original premise for urging an entry tactic back in the 1930s – severe crisis and radicalised workers surging into the social democratic parties in Europe – were not present. But when the predicted crisis did finally arrive, it would inevitably drive the

transforming them into a generalised method. In 1964 Grant, along with Peter Taaffe, Alan Woods and others launched the paper, the *Militant* – the organ of a highly secretive entrism organisation, the Revolutionary Socialist League, within the Labour Party.

By 1968 the rise in militant working class struggles and the growth of a radical student movement led almost all the other entrism groupings to abandon the Labour Party in favour of open work. But the *Militant* still stuck with Grant's rigid schema that any serious radicalisation of the working class would inevitably be expressed through a growth and leftward surge of the Labour Party.

While still formally adhering to Trotsky's "Transitional Programme", the *Militant* emptied it of any revolutionary content. For revolutionaries this programme is a means of mobilising the workers and the oppressed in class struggle, one which would culminate in the conquest of political power through soviet-type organisations and an armed militia mobilised to destroy the capitalist state. In contrast the *Militant* argued that the Labour Party could come to power and implement the *Militant's* programme, centring on the nationalisation of the 200 largest monopolies, through a parliamentary "enabling act".

The pressures of entryism had led the *Militant* to argue it was possible to achieve socialism by a peaceful, parliamentary process. Their strategy was summed up in their slogan "Labour to power on a socialist programme". The inevitability of the bosses' violent resistance to their loss of power, and the need to respond to this decisively with armed force were glossed over or wished away.

Grant's commitment to entrism and an accommodation to the reformist milieu had other effects as well. The tendency did not play any visible part in the movement in solidarity with the national liberation struggle in Vietnam. On the Irish national liberation struggle after 1969, *Militant* echoed the denunciation of republicans in the bourgeois press, considering them to be nothing more than terrorists and

**At first, during the 1946-49 period, Grant and the other RCP leaders were among those within the Fourth International who were most sceptical about its positions**

"Marxist" who perpetually proclaims that crisis is imminent will eventually appear to have their prognoses confirmed, in the same way that a stopped clock appears to show the right time twice a day. But, just as a stopped clock is useless for telling the time, such predictions are useless in giving guidance in fighting for a revolutionary programme.

While Grant had initially stood with those opposed Pablo's form of entryism into the Labour Party, by 1948 Grant was part of Healy's organization known as "the Group" in the Labour Party which operated in a semi-clandestine manner. Its public face was the journal *Socialist Outlook*,

mass of workers into membership of the Labour Party. The task of revolutionaries was to embed themselves within Labour and wait, preparing for this mass influx which would then elevate the "Marxists" to the leadership of the party.

Where Trotsky had argued that entry needed to be carried out on the basis of an open fight for the full revolutionary programme, Grant argued in contrast for the entryists to keep their heads down in order to avoid expulsions by the bureaucratic leadership. Although slanted towards Britain of the 1960s, Grant was in effect borrowing the old arguments of Pablo from a decade earlier and



gangsters. Not once did they mobilise in support of the democratic demand "British Troops out of Ireland".

This accommodation manifested itself over questions of social oppression too. The tendency was much slower than the rest of the left to take the question of women's oppression seriously – and was notorious in the 1970s for its homophobia and hostility to lesbian and gay liberation.

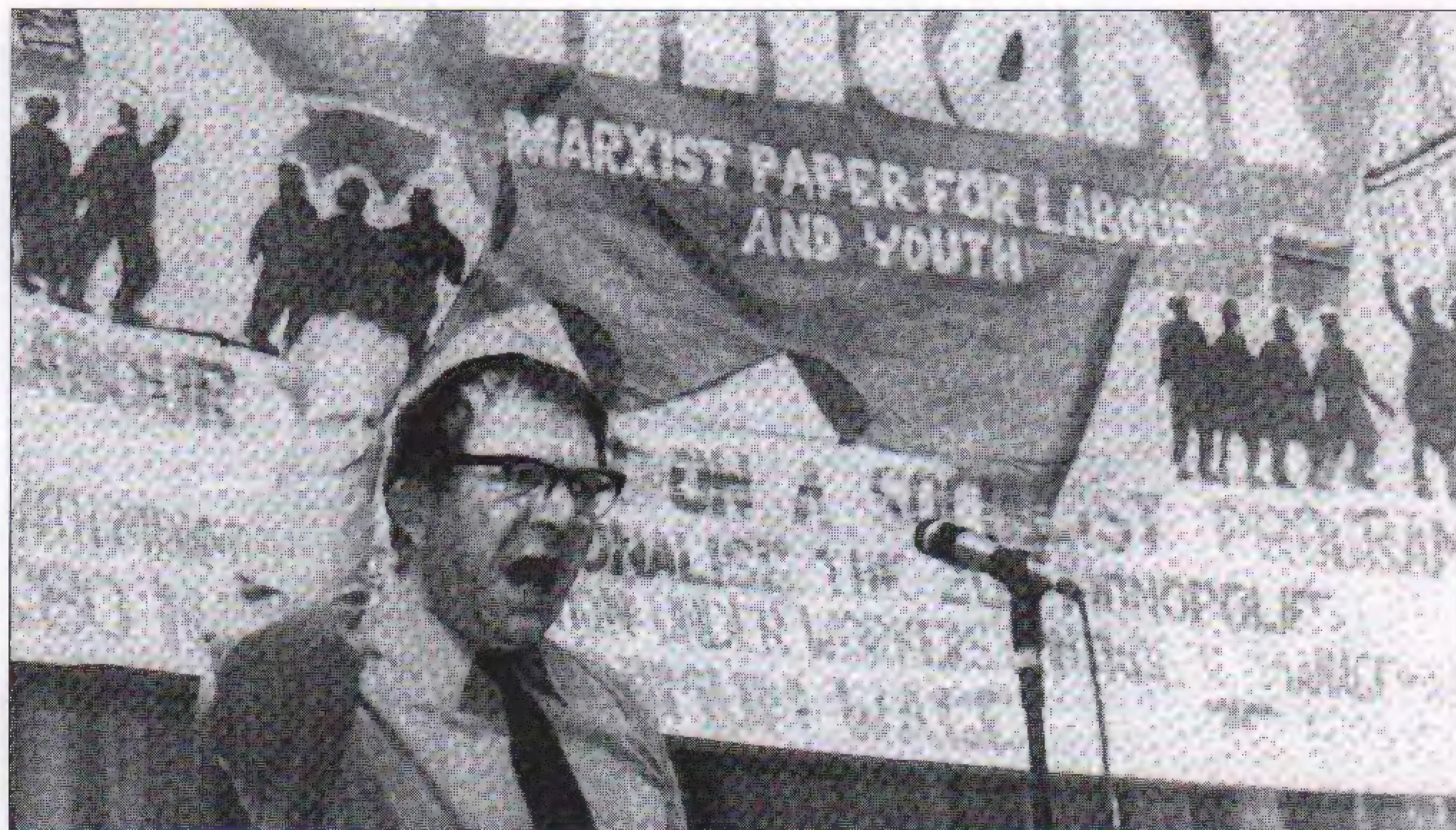
This opportunism was not without its rewards for Grant however. By the 1980s the Militant was a household name, with 8,000 members or supporters, three MPs, a seat on the TUC, control of Labour's youth section, effective control of Liverpool council and more full-time organisers than the Labour party itself.

But the triumph was short lived. Neil Kinnock was to demonstrate that Labour was still a reliable instrument of bourgeois rule by conducting a ruthless witch hunt against Militant and the rest of the left. A swathe of Militant supporters, including three Labour MPs and Ted Grant himself, were subsequently expelled from the party.

In the later 1980s Militant was heavily involved in the campaign against Thatcher's hated poll tax. Although they were still committed to entrism, this campaign was effectively open work, and open work where Militant were recruiting. Militant's leadership in the anti-poll tax campaign called for a non-payment of the hated tax, a demand which had a resonance in working class communities across Britain, but especially in Scotland, where the tax had been introduced a year earlier than elsewhere.

The successes of the open work in the anti-poll tax campaign, and the increasing difficulty of work within the Labour Party, led the majority of the Militant tendency around Peter Taaffe to question the relevance of Grant's schema and the appropriateness of the Labour Party as the exclusive arena for political work.

A small minority around Grant himself continued to stick to the schema in all its glory, forming a faction which argued that a 1929-style economic crisis was imminent in the light of the 1987 stock market



crash, and that when it happened, the Labour Party would be the place to be.

Now approaching 80, Grant went from hero to zero in the organisation he had spent decades building – commanding a mere seven per cent support at his final conference. Grant publicly berated the decision to launch an open party in Scotland. For his pains Grant and his followers were expelled in 1992. They are now grouped around the paper *Socialist Appeal* and the Committee for a Marxist International. Today supporters of Ted Grant are central to the Hands Off Venezuela campaign, which promotes Hugo Chavez in the same way the FI did Tito sixty years ago.

Grant is gone but his legacy remains. Taaffe's Socialist Party, while rejecting Grant's schema for the transformation of the Labour Party, continues with the schema for building a left reformist party and gradually morphing it into a revolutionary one, a strategy embodied in their Campaign for a New Workers Party.

It would be dishonourable to conceal our political differences with Ted Grant as a result of his death, just as it would have been dishonest to do so while he was alive. And our criticisms of his legacy are criticisms of his politics.

Despite them we recognise that he led a life of self-sacrifice for the cause

of the working class and continued to struggle for his ideas as long as he had a breath in his body. Those are qualities we admire and respect. Many members of today's movement can be inspired by them. We send our condolences to all comrades, friends and relatives of Ted Grant. **DA**

#### ENDNOTES

1. See *War and the International*, Sam Bornstein and Al Richardson, Socialist Platform 1986 p 59-63
2. *The Unbroken Thread*, Ted Grant, Fortress Books, 1989, p 383



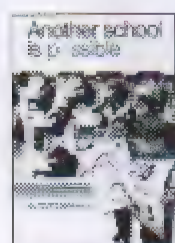
# Backspace / Reviews

## BOOKS >>>>

### *Another School is Possible*

Terry Wrigley, Bookmarks Publications & Trentham Books / 2006 / £8.99

**"Clever enough to be profitable, not wise enough to know what's really going on..."**



EDUCATION REFORM has always been central to the New Labour project. According to Tony Blair, in his introduction to the latest Schools White Paper:

"We now have an education system that is largely good, after eight years of investment and reform... we are poised to become world class if we have the courage and vision to reform and invest further, and put the parent and pupil at the centre of the system."

Strange, then, that practically the entire teaching profession is implacably opposed to almost every single proposal in the White Paper. Strange, also, that up and down the country, coalitions of parents, teachers and pupils have campaigned vigorously against the City Academies, undoubtedly the key plank of the reforms.

As Terry Wrigley convincingly shows current government policy on schools is destroying the last vestiges of comprehensive state education. This is not a dispassionate text. Wrigley is both a member of the International Socialist Tendency in Scotland and a lecturer in education at the University of Edinburgh.

The book condenses into 126 pages the key facts, statistics and analysis which activists can use to demolish the government's claim on education.

Take the current mania for testing in schools, for example. The government argues that, by looking at the results for the SATs taken at 7, 11 and 14, standards are basically rising.

Wrigley highlights research by Durham University which suggests that, in fact, the SATs are being simplified to make the statistics look good. For example, the proportion of pupils really attaining the target level four in maths actually rose from 48% in 1995 to 58% in 2000, as opposed

to the 75% shown by simplistically looking at the SATs. When students from Northern Ireland took the tests – where SATs don't exist – they immediately spotted they were getting easier.

Similarly, many schools, particularly those serving educationally deprived communities, are under immense pressure to raise achievement in GCSEs. This means that many pupils are entered for an Intermediate GNVQ – a vocational route – which is, officially at least, worth four good GCSEs.

Wrigley's own research questions this apparent equivalence, arguing that pupils with a grade E in Maths have been shown to easily pass a GNVQ at this level. This lack of equivalence matters for working class kids:

"Can Ahmed, with his GNVQ computing certificate and one GCSE, compete with Robin, who has five good GCSEs and computer skills as well?"

Wrigley contends that, whilst we do need to prepare young people to compete in a capitalist labour market, we also need to question the very premises of testing and its impact upon learning. The "exchange value" of tests and scores dominates any consideration of the "use value" of learning and the acquisition of real skills and knowledge.

The government is now intent on driving this neo-liberal agenda further in the form of City Academies and independent "trust schools". These will be autonomous of Local Education Authorities, which will see their powers drastically reduced.

From the evidence so far, City Academies are indeed a "unique business arrangement" where the taxpayer picks up more than 90% of the costs of setting up the schools, yet the control of hiring, firing, admissions and the curriculum lies firmly in the hands of private "sponsors".

Not surprisingly, whilst the government presents this as a way of driving up standards in Inner City schools, the reverse is often true – and, as Wrigley shows, school

exclusions tend to go through the roof once the private backers take over.

Once capitalists – and not educationalists – are given direct power over what is taught, the curriculum is narrowed. Pupils at the Bexley Business Academy spend Fridays performing simulated transactions in a mock-up of the London Stock Exchange. Religious fundamentalists have forced creationism into science lessons. Not surprisingly, parents, pupils and the teaching unions have vigorously fought – and in some cases, beaten – proposals for City Academies. As a placard in a former mining community in South Yorkshire read, "They've taken the pits and taken our jobs – they're not getting our schools."

An examination of current education policy shows up the contradictions of neo-liberal reformism. Whilst some aspects of education have improved (including an increase in teachers' pay), any "reformist" gains are more than undone by a slavish adherence to bourgeois ideology. This rigid ideology permeates official policy documents; in New Labour's Five Year Strategy for Children and Learners, "Employer appears 146 times... employment on 30 occasions and business 36 times. The words creative and creativity appear once each".

The increasing division of education into academic and vocational streams perfectly serves the needs of business; it doesn't serve the needs of working class young people. The 2006 White Paper will obliterate the entitlement to a broad curriculum for those deemed to be "vocational".

However, the fact that students study Motor Vehicle Maintenance doesn't mean that they shouldn't also be able to study Drama, History or Spanish – but this is effectively what the White Paper proposes. As Wrigley concludes, "schools are being re-designed to produce two kinds of citizen: those who know little about the world, and those who have no concern for what they have been taught".

Contrary to New Labour's vision, in Finland, there is no narrowing



## Once capitalists, and not educationalists, are given direct power over what is taught, the curriculum is narrowed

of the curriculum; there is no system of school inspection; there isn't even a final exam at the end of compulsory schooling. Yet every child is given a free, nutritious meal each day, and teachers are among the most respected professionals in the country.

In other words, in the country with the highest literacy rate in the industrialised world, there is a complete lack of the very ingredients the government says should be present in order to have a "world class" education system.

There is much else besides packed into this book: how schools systematically fail to deliver a decent education for black and minority ethnic children; how parental choice is largely an illusion; how the relentless cycle of OfSTED inspections demoralises teachers; how Attention Hyperactive Deficit Disorder (ADHD) is a socially-constructed "disease" with no biological origin; how the gutting of a meaningful, critical and situated context for the teaching of "literacy" has not delivered any significant improvement in the UK's appalling rate of reading and writing skills amongst school leavers.

Yet there is also hope in the book

– as well as many practical ideas teachers can use in their lessons. The key point here is that, as revolutionaries and socialists, our goal is not to "brainwash" children – we leave that to the employer class. Rather, teaching that genuinely empowers must not seek to impose opinions; we must insist that whatever is controversial in politics and social science must appear controversial in our teaching; and we must allow students the space to analyse a concrete situation and their position within it.

Teachers can insist on making links between different areas of knowledge though cross-curricular project work. In geography we can learn about the existence of slums in the developing world, yet in order to examine the causes of slum conurbations we need to seek recourse to politics and economics – although these are not part of the National Curriculum.

Maths lessons can draw examples from global trade and debt to contextualise otherwise abstract calculations; science lessons can pose ethical dilemmas related to genetics; instead of DfES-prescribed lesson plans, there is still a limited space in

the system within which to subvert and experiment.

It is for this reason that teachers and activists have begun to come together to complement campaigning in the unions and community groups with concrete ways to challenge the consensus in the classroom.

Wrigley is a leading light in the Rethinking Education network. The goal of the network is not merely to defend education from neo-liberal attack, but to produce lesson plans and resources which genuinely nurture open and critical thinking.

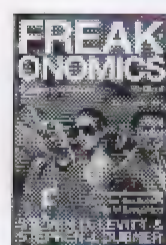
That is certainly a laudible goal. However, in order to change our schools we ultimately have to go further. Unfortunately, the book fails to flesh out a political strategy by which we can arrive at the very education system Wrigley clearly wants to see.

The book implicitly reproduces the minimum-maximum approach to social change typical of the politics of the International Socialist Tendency – campaigning and "practical alternatives" in the here and now, a vision of socialism in the distant future, but no means by which we can get there. >>> continued

### BOOK >>>>

#### **Freakonomics**

Steven D. Levitt and Stephen J. Dubner  
Penguin / 2006 / £8.99



STEVEN LEVITT is a Harvard Economist who attempts to apply the tenets of neo-liberal economics to the everyday. Stephen Dubner, is the journalist who wrote up his suppositions. Levitt says "incentives are the cornerstone of modern life" and "conventional wisdom is often wrong".

In short people want the most of just about anything they can get, for the least possible work; they're not dumb and they make they make rational choices to achieve this objective.

So from the drug dealer, to the classroom teacher, to the sumo wrestler or Ku Klux Klan man, Levitt tries to prove that people are essentially rational if amoral in the

decisions they take to get ahead.

The reason most crack dealers live at home with their mums, is because at the top of the crack empire, sits a businessman, who takes half of the gang's entire income, while the footsoldiers struggle away on less than the minimum wage, with a one in four chance of being killed, in the hope that one day they might too be Mr Big.

The reason crime dropped in the 1990s was not mainly because of the effect of the revival in the economy, or the rise in police officers (though Levitt isn't shy of proclaiming his faith in law and order) but because criminals are disproportionately likely to come from neglected homes, where they don't receive the love and care they deserve.

So the legalisation of abortion in the late 1960s with Rowe vs Wade had the ironic and unintended consequence of reducing the number of criminals, because single mothers,

who knew they could not look after children in the way they wanted, could now receive terminations.

Which of course brings us onto the issue of class, for while Levitt notes the existence of rich people and poor people, disparities in opportunity as a result of race or sex, none of these social relationships has anything to do with capitalism for him.

There are no classes as such with a common interest, but only individuals with different circumstances, who act rationally according to their interests as determined by their circumstances, but always as individuals never as classes in conflict over resources.

What has made Levitt's book a best seller is its irreverence, amorality and wit together with Levitt's application of a kind of crude economic materialism to explain society. An eye-brow raising diversion but nothing more.

**Bill Jeffries**



# Backspace / Reviews

A genuinely revolutionary approach would mean raising transitional demands, situating every partial struggle to defend comprehensive state education within the wider struggle for radical social change. At the centre of this approach is the need to contest management of schools and seek to establish teacher, student and parental control over the day to day running of our schools and make them an organic part of working class communities.

Similarly, Wrigley is almost silent on the issue of secular schooling. Whilst upholding a vision of secular education and lampooning Christian fundamentalists for taking control of certain City Academies, Wrigley still asserts that whilst Christians are allowed to have their own schools, other faiths should similarly have theirs. What he really means, no doubt, in the current context of Islamophobia, is that Muslims in particular should be free to set up their own faith schools.

This has been a hard-fought issue within the teaching unions. Whilst we can point out the government's Islamophobic hypocrisy on this and other issues, explicitly religious schools of whatever faith can never be actively advocated by genuinely progressive educationalists.

Of course we defend the Muslim community and its institutions from attack. However, contrary to communalist and separatist strategies, we fight for a secular education system where the fullest historical and scientific exploration of all world faiths will be possible, without giving precedence to any.

It does not deal with the government's related attacks on further, higher and adult education; this is arguably a sector which urgently demands its own parallel volume.

Despite these shortcomings, the book is still a valuable arsenal for pupils, students, parents, teachers and activists alike. And in the facts, statistics, anecdotes and examples he marshals, one thing is abundantly clear: the point of education is not merely to interpret the world; it is, rather, to change it.

**James Drummond**

## BOOK »»»»

### *Female Chauvinist Pigs, Women and the Rise of Raunch Culture*

Ariel Levy

Pocket Books / 2006 / £7.99



SIXTY-THREE PER cent of 15 to 19-year-old young women in the UK want to be glamour models, and 25% aspire to be lap dancers, according to a survey cited in New Statesman last year. This desire for young women to succeed in life by selling some form of their sexual identity forms the basis of Ariel Levy's book

Levy focuses on the USA where she believes sexual liberation for women is now demoted to having the freedom to emulate porn stars and strippers – dressing like them, altering our bodies to look like them and having meaningless no-strings-attached sex. Ironically, she argues, this is thanks to feminism's success: "Women have come so far, they no longer needed to worry about objectification or misogyny... if MCPs (male chauvinist pigs) were men who regarded women as pieces of meat, we would outdo them and be FCPs (female chauvinist pigs) – women who make sex objects of ourselves and other women".

Levy tells us of Girls Gone Wild – a "reality" soft porn programme sold on DVDs – where roving film crews persuade young female college students on spring break in Florida to "flash" for the camera or fake "girl on girl" sex in front of braying crowds of drooling young men.

Levy introduces us to a world where women can spend a fortune reconfiguring themselves in the image of America's glamorous porn stars. "Cardio-striptease" classes are big in the gyms of Los Angeles, and the offer of vaginoplasty – a surgical tightening of the vagina, or labiaplasty – "trimming" of the labia – have women queuing up. She links these to the 700 per cent rise in cosmetic breast surgery between 1992-2004 and the popularity of bestselling books like Jenna Jameson's *How to Make Love Like a Porn Star*.

Levy's case is that "raunchy and liberated are not synonyms". She suggests women are becoming like "Uncle Tom's", colluding in their own

oppression in the same way that some black people react to racism by "going along to get along". Women now accept the stereotypical roles assigned to them by a sexist society as the only options available, as Levy asserts:

"There are two strategies an FCP uses to deal with her femaleness: either acting like a cartoon man who drools over strippers...brags about having the biggest cock in the building or acts like a cartoon woman...big cartoon breasts, wears little cartoon outfits and can only express her sexuality by spinning around a pole."

There is a tone of wistful regret to Levy's book. In order to make sense of these developments she looks back to the legacy of second wave feminism in the 1970s and 1980s, citing the clashes between the pro-sex and anti-porn wings as a possible root cause of the development of today's "raunch" culture. In her view, if feminists hadn't fallen out and feminism hadn't fallen apart, then maybe sexual liberalisation would have meant true sexual liberation.

She laments the loss of a golden age when hairy, bra-less feminists set up restaurants like Mother Courage in New York where women could meet, debate and organise Reclaim The Night marches and run eye-opening tours of red light districts for housewives and nuns. Instead, as she sees it, today's women – even those like Olympic athletes – want to wax their vulvas, get breast implants and get photographed nude for *FHM*.

Of course, her sweeping generalisations do not reflect the lives of many women who have no interest in these superficial fads, but they do raise an important issue about feminism and its limitations. She is right in part to see today's sexist culture as linked to the failure of the feminist movements of the 1970s; but she misses the key lessons that can be drawn from those failures.

The fragmentation of the feminist movement was inevitable when the movement became evermore dominated by identity politics. After all, if your sexual identity (whether you were straight or gay etc.) became the most important factor in determining your response to politics, then those who didn't share such identities were no longer allies in the



## To decide what is oppressive and what is erotic or how to ditch the oppressive but keep the erotic, requires collective debate

struggle against sexual oppression. It was the move away from the struggle to change society to the struggle to create new identities that lead to the implosion of the movement.

Unfortunately, Levy repeats the errors of second wave feminism. While bemoaning the loss of a collective response to women's oppression, Levy's only solution is an individualist one. Levy's answer is that we merely need to change our way of thinking: "If we believed that we were sexy and funny and competent and smart, we would not need to be like strippers or like men, or like anyone other than our own specific, individual selves... The rewards would be... the things women deserve: freedom and power."

So why don't the vast majority of women think along the lines that Levy suggests? Young female school students in the USA striving to dress the "skankiest" may be a new phenomenon, but I'm not sure that it is novel for young women to be having sex because they crave attention and affirmation from young men.

Both these examples show how sexual oppression can make women "collude" in their own oppression. Other examples include the "Stepford"-type housewives who threw themselves wholeheartedly into making curtains and jam, or the cultures in which women regulate the sexuality of their daughters through female circumcision. All of these are examples of women internalising and then reproducing their own oppression.

These manifestations change over time and in response to particular social conditions, and do not affect everyone in the same way. As capitalist society has developed, so have ideas about notions of femininity and sexuality which primarily serve the economic and ideological interests of the ruling class. These ideas permeate every aspect of society and through ideological and cultural mechanisms such as the mass media, seek to reinforce gender roles.

At root, women under capitalism are expected to provide functions associated with the reproduction of labour. This includes having and rearing children, maintaining the

home, and providing practical and emotional support for children, husbands and other family members. This caring role is achieved through a subordination of women's own needs, and this has extended to sexuality where women are expected to please their partners and respond to male desire.

Of course, women are not passive recipients of this ideology and they have sought in a myriad of ways to challenge and circumvent these oppressive and restrictive roles. However, until the fundamental role of women under class society is challenged, in particular the role of women in the family, then these ideas will continue to dominate, and many women as well as men will internalise and perpetuate these ideas.

The women who Levy describes may appear to her as simply colluding in their own oppression, but in fact they are also rebelling against other norms and ideologies that they are subject to. Many young women continue to experience severe restrictions on their own sexuality, being told by parents, schools and churches what they are allowed to wear, how to behave and when they can and can't have sex.

It is inevitable that young women will rebel and will try to assert their own sexuality. It is also inevitable that most of these women will not suddenly arrive at some pure expression of their own sexuality and identity, but will be influenced by other pervasive images – namely those that they see in the media.

Despite the fact that Levy's central thesis is that women's lives are circumscribed by a narrow view of sexuality, she in the end reduces the fight for women's liberation to a call on every individual woman to rethink why and how they have sex. But working class women, women in the semi-colonial world, need to do more than think themselves out of oppression.

While Levy rails at the super profits of the porn industry which makes between \$8 and \$15bn a year and refers to the poverty motivating the majority of sex workers, her exploration of raunch culture is essentially a tale of "urban, high end, liberated women" such as

those depicted in shows like *Sex in the City*. Her conclusions are weak because she fails to recognise that the commodification of sex such as porn, sex work and erotic entertainment has always been the case in class societies.

In reality, appealing to the sensibilities of such women to challenge sexist stereotypes is unlikely to make much of a dent in the cultural dominance of the sex industry. Organising the millions of women exploited in low paid work, from the care industry to the sex industry is more likely to shake up the complacency in the boardrooms of US multinational capital.

The recent mobilisations of immigrant workers in the US, many of them women shows what potential a movement that takes up the economic, social and sexual oppression of women would have. History has shown that it is through collective struggle that people change their ideas.

The strength in Levy's book is that she has provided a welter of evidence to point out the heightened misogyny of aspects of popular culture in the USA in recent times, particularly as this is against a backdrop of a right wing administration that attacks lesbians and gay men, reproductive rights and vigorously promotes abstinence programmes instead of sex education.

But fighting this sexist ideology requires collective struggle. To decide what is oppressive and what is erotic or how to ditch the oppressive but keep the erotic, requires collective debate. Without a class analysis, the new feminists like Levy will only help recreate the mistakes of the past where radical feminists like Andrea Dworkin joined forces with moral majority right wingers to ban porn as in the case of the infamous Indianapolis Ordinance of 1984.

Entertaining if overly anecdotal, Levy's book, however, is a wake up call to those who have in Erica Jong's words and quoted by Levy "lost consciousness of the way our culture demeans women" and who had not realised that "sexual freedom can be a smokescreen for how far we haven't come."

Alison Higgins



# Backspace / Letters

## **SUBJECT / The split with Workers Power and the LFI**

Comrades

I think I speak for many on the left when I say that I was appalled to learn of the summary expulsion of nearly half of the membership of the British section of the League for the Fifth International. While my political differences with those who were expelled remain numerous, the way in which comrades were treated can and should be condemned by every left activist who is in favour of democratic functioning and free debate on the left.

As the small majority of those who kicked out the others tried to slander and demean the comrades who have now formed PR, by digging up the bones of James Cannon and twisting his ideas and words, those of us who have actually read and understand that Cannon's fight against Stalinism instilled in him a firm belief in open comradely disagreements and debates recognized their gross misuse of his works for the rubbish that it was.

Further, those who remained in Workers Power to follow the ever romanticised catastrophist view and sectarian way of functioning have continued to paint those they expelled as criminals with accusations of theft and deceit.

In reality, these comrades that had put up a brave two-year struggle within a stifling organisation that did not allow for the public discussion of differences were quickly coming to the realisation that the end was near and were

correctly preparing for this.

However, comrades in PR must be ever vigilant, having come from an organisation which had a very sectarian trajectory for so long not to meet the same fate. Some of the initial documents are tinged with a lack of humility and a view that PR itself now has the one and only true perspective. This way of functioning on the left has long since passed its sell-by date.

It is my hope that PR will join with other left groups in the fight for an alternative to New Labour with an eye towards openness and solidarity and not self-righteousness and condemnation. While we have our differences about how this is to be done, we can certainly debate these on the ground in a comradely, open way in the course of the struggle. I look forward to working together with PR and welcome the comrades back to the fight for a revolutionary alternative.

In Solidarity,  
Tami Peterson  
Socialist Resistance Steering  
Committee (personal capacity)

Comrades

Splits and expulsions can be demoralising experiences. On the other hand they can offer an opportunity to look with fresh eyes at the political landscape and re-consider one's political practice.

I don't think that there is a future for an organisation that tries to create "Continuity Workers Power". The trick of joining a broader formation such as the Socialist Alliance and flouncing out

when it didn't adopt a revolutionary programme is really not worth repeating.

As supporters of Socialist Resistance demonstrate it is entirely possible to maintain a revolutionary Marxist current inside organisations such as the Socialist Alliance and Respect. This October's conference and next year's local government elections will be important milestones in the development of a mass party to the left of Labour. At the moment it is indisputable that Respect is narrowing politically. The SWP's control of it has tightened and the number of independent socialists in it has fallen. Nevertheless its councillors have met every crucial test so far and the trade union conference will see some increase in the number of working class militants in the organisation.

The other big factor is what's happening internationally. The revolutionary processes that we are seeing in Venezuela and Bolivia will re-shape the left globally. They will energize existing organisations and draw a new political generation to the ideas of revolutionary socialism. This places an obligation on all of us to explore the strengths and weaknesses of our political traditions. It also means making hard judgements as to whether or not another tiny group selling a paper on demonstration is a real contribution to the regroupment and strengthening of revolutionary socialism.

In comradeship  
Liam Mac Uaid  
Socialist Resistance



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**Coming soon:** from October we will be debating online the revolutionary tradition in youth work, from Lenin's Third International and the Trotskyist youth movement in the United States during the 1930s to the present day



# permanent revolution

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NEW LABOUR is in crisis. Its poll ratings are in free fall and the New Labour rats on a sinking ship are trying to throw the captain overboard.

For many, Lebanon was the final straw. Watching a Labour prime minister join Bush in preventing a ceasefire when Lebanon's civilian population was being pulverised by a merciless Israeli bombardment, produced a wave of disgust in the Labour Party and beyond.

Gordon Brown and his supporting cast of trade union leaders have decided to turn this crisis to their advantage. In August they tried to bundle Blair out of Number 10 to ensure a prompt and smooth coronation for Brown.

Every militant knows that Gordon Brown, along with Blair, was the architect of New Labour. Brown is proud of his role in extending privatisation throughout the public sector. Remember his insistence that London's Mayor could not finance Tube renovation by low cost borrowing? It had to be the Private Finance Initiative that shovelled millions in profits to his friends in the City like Jarvis Ltd.

Ninety-day detention without trial, identity cards, a new generation of nuclear weapons supplied by the US military – just name the right wing policy – Brown is in favour of it.

The crisis is clearly not over, despite cries of "stop rocking the boat", Geoff Hoon is the latest Blairite to suggest Blair should go before spring.

Can rank and file militants – trade unionists and Labour Party members – intervene in this crisis to deliver a blow to New Labour and its right wing policies? Can we take both political and trade union action that can save the NHS from market madness, defend civil liberties and force the warmongers to pull out the troops from Iraq and Afghanistan?

John McDonnell's potential candidacy for the Labour leadership offers one opportunity to draw militants together. The last thing the union leaders want is a real contest where they have to justify why they are supporting Brown rather

## Not just Blair – Brown must go too!

than someone who stands against privatisation of health, the Iraq war and the anti-trade union laws.

Fighting to get McDonnell onto the ballot paper and demanding the trade union leaders support the campaign is one way of disrupting a smooth transition to Brown and opening up a debate in the Labour Party, and outside, on what policies the working class needs.

But throwing back New Labour's offensive cannot be achieved by campaigns in the Labour Party alone. The decision by the NHS Logistics workers to come out on strike against privatisation of their service is exactly the sort of action that needs to be taken.

If it is to successfully defeat the government all NHS workers need to support this action – to fight for solidarity action and to defy the anti-union laws which try to make such actions illegal.

Two conferences this autumn promise to mobilise rank and file trade unionists for action – the RMT's and Respect's. If they take one lasting step in organising the rank and file and the militant minority in the unions for action they will have been a success.

If they fail to go beyond broad leftism, continuing as a friendly pressure point on "left leaders", or become a stage army for the political projects of Respect or the Labour left, they will have failed.



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